



**Achieving Efficiency**

2007

# PAKISTAN MICROFINANCE REVIEW

# Editorial Board

## Ghalib Nishtar

Chairperson Editorial Board  
President, Khushhali Bank

## Zulfiqar Khokhar

Joint Director Microfinance Division  
State Bank of Pakistan

## Blaine Stephens

Director of Analysis  
Microfinance Information eXchange, Inc. (MIX)

## Haroon Sharif

Private Sector Development Adviser  
Department for International Development (UK)

## Ahmad Jamal

Chief Strategic Planning Officer  
Pakistan Poverty Alleviation Fund

## Agha A. Javad

General Manager  
National Rural Support Programme

## Salim N. Jiwani

Project Director  
AMPER, ShoreBank International

## Syed Mohsin Ahmed

Managing Editor  
Chief Executive Officer  
Pakistan Microfinance Network

Art and Visual Direction  
Sumaira Sagheer

Graphics Design  
Uzma Toor, Retroactive Studios

Printed at  
Pangraphics Pvt. Limited

Copyrights ©2008 Pakistan Microfinance Network

Pakistan Microfinance Network (PMN) is grateful to its members for making this financial information available.

We would also like to thank our donors particularly DFID (Department for International Development, UK) and Citi Foundation for their interest and support in the production of this publication.

We are particularly grateful to the editorial board for their time and valuable input.

## CONTACT INFORMATION

PAKISTAN MICROFINANCE NETWORK  
House 38, Street 33, F 8/1  
ISLAMABAD, PAKISTAN

Tel: +92 (51) 2816139 - 41

Fax: +92 (51) 2854702

Email: [info@pmn.org.pk](mailto:info@pmn.org.pk)

[www.pmn.org.pk](http://www.pmn.org.pk)

**Pakistan Microfinance  
Review**

**2007**



# Contents

<b>Introduction – The Year in Review</b>	<b>01</b>	<b>List of Exhibits</b>	
Microfinance Achievements	01	Exhibit 1.1: Industry Financing Structure	06
Microfinance and the Economy	02	Exhibit 2.1: Growth of Microfinance in Pakistan	07
Policy	03	Exhibit 2.2: Growth Rates in Recent Years	08
Regulatory	04	Exhibit 2.3: Productivity and Cost Efficiency of Microfinance Models	08
Institutional: Products, Clients and Financial Landscape	04	Exhibit 2.4: Productivity Trends in Pakistan Microfinance	09
<b>Growth Pangs – The Efficiency Conundrum in Pakistan’s Microfinance</b>	<b>07</b>	Exhibit 3.1: Operating Expense Ratios and Cost Distribution of Microfinance Models	09
1. Microfinance Delivery Models	07	Exhibit 3.1(Ext.): Average OER	10
2. Outreach and Productivity	07	Exhibit 3.2: Correlation between OER and Personnel Expense Allocation	10
3. Operating Efficiency	09	Exhibit 3.3: Personnel Expenses Incurred by MFIs	10
4. Yield, Expenses and Sustainability	12	Exhibit 3.4: Improvement in OER with Age of MFI	10
5. How the Efficiency Issue can be Addressed	14	Exhibit 3.5: Impact of Portfolio Size on the OER of Pakistan MFIs	11
<b>Looking Ahead</b>	<b>16</b>	Exhibit 3.6: Relationship between Loan Size and Operating Efficiency	11
<b>Sources of Data</b>	<b>18</b>	Exhibit 3.7: Operating Efficiency of Growing MFIs	12
Microfinance Banks	18	Exhibit 4.1: Contribution of Other Financial Income to MFI Earnings	12
Specialized NGO MFIs	19	Exhibit 4.2: Increasing Trend in the Financial Expense Ratio	13
Rural Support Programmes	21	Exhibit 4.3: Cost Structures of Pakistani MFIs	13
Others	23	Exhibit 4.4: Distribution of MFIs by Sustainability	13
<b>Pakistan Microfinance Network</b>	<b>24</b>	Exhibit 5.1: Target Performance Parameters for Pakistani MFIs	14
<b>Adjustments of Financial Data</b>	<b>26</b>	Exhibit 5.2: Selected Types of Rural Banks in Asia	15
<b>Definitions of Terms &amp; Indicators</b>	<b>28</b>		
<b>Indicators</b>	<b>34</b>		
<b>Reporting Organisations</b>	<b>48</b>		

# List of Acronyms

List of Acronyms reported in the tables

1. **TMFBL** Tameer Microfinance Bank Limited
2. **FMFB** The First MicroFinanceBank Limited
3. **POMFBL** Pak Oman Microfinance Bank Limited
4. **KHB** Khushhali Bank
5. **NMFBL** Network Microfinance Bank Limited
6. **RMFBL** Rozgar Microfinance Bank Limited
7. **Kashf** Kashf Foundation
8. **DAMEN** Development Action for Mobilization and Emancipation
9. **OPP** Orangi Pilot Project
10. **SAFWCO** Sindh Agricultural & Forestry Workers Coordinating Organization
11. **Asasah** ASASAH
12. **Akhuwat** Akhuwat
13. **CSC** Community Support Concern
14. **NRSP** National Rural Support Programme
15. **PRSP** Punjab Rural Support Programme
16. **SRSP** Sarhad Rural Support Programme
17. **TRDP** Thardeep Rural Development Programme
18. **Taraqee** Taraqee Foundation
19. **OLP** Orix Leasing Pakistan Limited – Microfinance Division

Pakistan Microfinance Network (PMN) is pleased to enclose a CD-ROM with this publication dedicated to our members, donors and stakeholders for their continued interest and enthusiasm in supporting this initiative.

The CD-ROM contains previous and the present issue of Pakistan Microfinance Review (PMR) providing you ready access to information and data on performance of the microfinance sector in Pakistan.

# Introduction

## The Year in Review

### Microfinance Achievements:

FY 2007 witnessed positive developments on several fronts within the microfinance industry in Pakistan, the most prominent being the sustained growth and depth of outreach across the country. This year the outreach of financial services grew once again at above 45% (a growth rate matched only by India in the region) that was contributed by all three categories of microfinance providers (MFBs, RSPs and Specialized MFIs) and reached the entire length and breadth of the country with almost 90% of the districts now covered by network of Microfinance Providers (MFPs). There are visible signs of institutions diversifying their product base (insurance and deposits) and provision of new products and services (like availability of enterprise, housing loans and health insurance in addition to credit risk coverage). We now have more than 5 MFPs that are operationally sustainable and two of the larger MFPs have structured landmark deals with both private domestic and international banks worth more than 5B rupees. One MFB has entered into partnership with the Pakistan Post to leverage their huge network for its lending activities and another MFB is collaborating with CGAP to use mobile banking for leapfrogging growth and achieving efficiency gains.

At the macro level SBP continues to provide the necessary leadership and facilitation role (in addition to the traditional



supervision by the central bank) and together with the industry and donors smart subsidies are being made available for the industry. DFID is finalising a 50M pound deal for improving financial access and SDC, along with KfW, is exploring possibilities of strategic alliances within the Pakistan's microfinance industry.

At the meso level PMN has finalised its business plan, completed its restructuring, representing a governance structure that is diverse along with start of new initiatives like Research, Social Performance Management and setting up of a Pilot Credit Bureau besides the fact that it has invoked interest of the corporate sector (Citi Foundation) in relation to grants for improving the services of the network to provide demand-driven services to its members and become a voice of the microfinance industry for different stakeholders.

Pakistan Poverty Alleviation Fund (PPAF), the national apex has also aligned itself with the evolving microfinance landscape in the country and made changes to its lending strategies commensurate with sector requirements. During the period under review, PPAF made record disbursements to its partner organisations and was seen supporting the major drivers of the sector. It has also implemented two second generation programmes to support and facilitate 'financial deepening' of the sector through collaboration and funding from IFAD. With a focus on innovative financial products and approaches, MIOP envisions expansion of microfinance in the rural areas of the country. The Programme for Increasing Sustainable Microfinance (PRISM) bridges the gap between the commercial/capital markets and the microfinance sector in Pakistan and will be implemented in close coordination with SBP. PRISM also

has provision for making equity injections in the most promising medium-sized organisations in strengthening their capital base to attract commercial funding.

### Microfinance and the Economy:

These developments took place in the backdrop of a challenging macroeconomic context as the year 2007-08 witnessed a substantial decline in the real rate of GDP growth (5.8 percent), coupled with a sharp increase in the inflation rate (10.3 percent). Contributing to the double-digit inflation is a fiscal deficit of 6.5 percent of GDP (compared to an estimated 4 percent), and an increase in domestic as well as international commodity prices, primarily food and POL. A 19.4 percent growth in income was recorded for the same period, with per capita income estimated at US\$1,085 (GoP, 2008). However, with food inflation being a chief driver of the price hike, economists are already projecting a substantial impact on middle and low income households, which spend a major proportion of their disposable income on food.

Existing literature indicates the relative immunity of micro borrowers to the business cycle and the economy at large. However, the primarily food-denominated price increase in recent months to which middle and low income households (also identified as the primary microfinance market niche) are especially vulnerable, has raised concerns among microfinance policy makers and practitioners alike.

So far, the debate on inflationary impact consists of polar viewpoints: some espouse the existing theory of low impact based on the experience of institutions such as Bank Rakiyat Indonesia (BRI), a stellar performer during a national economic downturn because of its placement in a market niche bearing low correlation with the economy at large. These observers identify political instability in Pakistan experienced during 2007-08 as a more damaging factor for microfinance providers (MFPs) and their clients as operational costs and risks increase. Others however, are of the view that the ubiquitous impact of food-driven inflation is likely to have serious implications for the repayment capacity of existing clients, and thereby the portfolio quality of MFPs.

Although the debate so far has been inconclusive, experiences of MFPs in Latin America, Central Europe and Africa demonstrate the need to provide flexibility in terms of products, and decision-making (especially regarding debt rescheduling) and diversify market segments in prolonged inflationary periods (Weele & Markovich, 2001).

Adding to the inflationary concern is the institutional impact of the tight monetary policy of the State Bank of Pakistan (SBP). In response to the continuing inflationary pressure, SBP raised the discount rate by 50 basis points to 10.5 percent in January 2008 and then by 150 basis

points to 12 percent in May 2008 (SBP, 2008). In addition, the cash reserve requirement (CRR) and the statutory liquidity requirement (SLR) of the commercial banks were increased to 9 and 19 percent, respectively in May 2008 (SLR and CRR of Microfinance Banks remain the same i.e., CRR 5 percent and SLR 10 percent). The net result of these measures has been an increase in market interest rates (the Karachi Inter Bank Offer Rate (KIBOR) jumped to 13.55 percent on May 27) due to immediate reduction in liquidity in the banking sector.

Although a significant number of the MFPs in Pakistan fall outside the purview of the SBP, a tight monetary policy is likely to impact the microfinance sector as both SBP-regulated as well as non-SBP regulated MFPs carry commercial debt on their balance sheets. Due to the increase in KIBOR the cost of funds for MFPs carrying commercial debt on their balance sheets is expected to increase substantially. There are visible signs as the average financing cost of the industry went up from 6.5 percent to 8 percent between 2006 and 2007.

With oil prices in the international market hovering around US\$140 per barrel, and analysts projecting fiscal deficit to be on the higher side going forward, the inflationary trend in the country is likely to continue into the foreseeable future. While these conditions prevail in the domestic and global economy, the monetary measures introduced by the SBP are also likely to stay in place. Thus, funding available from the private sector is likely to remain tight for the microfinance industry at least from the domestic market.

Within this scenario, MFPs have the option to:

1. Curtail growth in outreach to a level that can be sustained with funds received from development finance institutions (DFIs) and donor organisations until the liquidity crunch within the banking sector is eased.
2. Maintain previous growth rates by:
  - a. Reassessing pricing strategies to pass on higher financing costs to clients, for example by the introduction of variable rate lending that is pegged to the KIBOR
  - b. Balancing higher funding costs with lower operational costs through increased operational efficiency
3. Diversify client base by introducing innovative products aimed at for example, balancing the health of food producers (primarily rural) against the distress of food consumers (primarily urban); or the fixed income of salaried individuals with the variable income of non-salaried clients. A diversified client base will assist these organisations to better manage institutional exposure to domestic macroeconomic conditions.

The final outcome will depend on a number of factors, including the existing financial capacity of MFPs, the response of donor organisations to the crunch in local and foreign credit markets, and the findings of empirical

research indicating the impact of high inflation on the microfinance client group which will indicate the ability of an MFP to pass on increase in costs to clients.

Whatever the scenario, the rising income inequality of the past eight years of economic growth translates into the continued importance of microfinance as a valuable policy instrument for the redistribution of wealth in the country.

## Policy

In 2007 the Government of Pakistan (GoP) in consultation with sector players and lead by the central bank (i.e. The State Bank of Pakistan) set an industry target of reaching 3 million active borrowers by 2010. The primary reform agendas set to achieve this growth in outreach included: i) Institutional reform of the two largest players in the sector, Khushhali Bank (KB) and the National Rural Support Program (NRSP), ii) The restructuring of the apex institution, the Pakistan Poverty Alleviation Fund (PPAF), and iii). Facilitating the establishment of a market-based refinancing facility.

**Institutional Reforms:** Since adopting these agenda items, the assets and liabilities of Khushhali Bank have been transferred to Khushhali Bank Limited (KBL), sanctioned under Section 47 of the Khushhali Bank Ordinance, 2000. KBL was issued a license under the Microfinance Institutions Ordinance 2001 by the State Bank of Pakistan (SBP), effective April 1, 2008, thereby bringing all the microfinance banks (MFBs) in the country on to a level playing field. Additionally, the 23 percent share ownership of KB by the state-owned National Bank of Pakistan (NBP) has been approved for sale to private commercial investors. The sale will result in a complete transfer of ownership, with management control, to private investors.

Since the reform agenda was approved, the NRSP, also earmarked for institutional reform, has applied for a license with the SBP to establish a national-level MFB. The NRSP currently falls under the purview of the Securities and Exchange Commission of Pakistan (SECP). This arrangement does not allow it to intermediate deposits, currently estimated at approximately PKR 1 billion (PMN, 2008). By transforming its microcredit operation into a MFB, NRSP will be directly regulated by the SBP and will thereby be enabled to intermediate deposits to achieve faster growth in outreach. The application is currently under review at the SBP.

Moreover, Kashf, another leading MFI in Pakistan has also applied to SBP for an MFB license. The entry of both NRSP & Kashf (the two largest MFIs in the country) in the regulated sector is expected to increase depth of MF services (credit and specially savings) at the grassroots level.

**Restructuring PPAF:** The decision was taken to reposition the apex in the development of the microfinance market, instead of limiting it to the status of a window for funding to MFPs. This decision resulted in a number of strategic, tactical and procedural changes at the PPAF during 2007-08. Starting 2007, PPAF established a more explicit performance criteria and reporting requirements. The risk management framework was commissioned which culminated in establishing an elevated set of eligibility criteria for PPAF partners availing large quantum of funding. This involved not only meeting rigorous performance indicators but also laid strong emphasis on governance, management structure, operational architecture and transparency. It also linked the cost of borrowing for MFPs with PPAF exposure in excess of PKR 500 million to KIBOR.

**Attracting Commercial Finance:** A number of options have been explored for raising large scale commercial finance for the microfinance sector. Potential alternatives include the establishment of sector-specific market-oriented facilities with the SBP, PPAF or PMN taking the lead, or setting up a specialized (microfinance-specific) or non-specialized standalone guarantee fund or securitisation platform. Preliminary analysis has favored the establishment of a commercially oriented standalone fund structure, with arguments in favour of both specialized as well as non-specialized types. This review however, is in a preliminary phase and will be followed up with detailed economic feasibility studies before a final decision is made.

It is agreed however, that key elements for the successful implementation of a sustainable refinancing mechanism need to include the following: 1) Ensuring SBP approval and backing for the selected alternative; 2) Gaining the interest and backing of donors and local actors; 3) Supporting the local party taking the leading role; and 4) Designing a structure that combines institutional strength, with appropriate incentives to achieve objectives and economic viability.

**Tax Exemption for MFBs:** A 5-year tax exemption for MFBs was approved in the Finance Bill 2007-08. The tax exemption was implemented starting June 2007. The time-bound tax break (2007 - 2012) will result in building the overall equity of MFBs, which will positively impact sustainability and assist in growth in outreach. The exemption is also expected to remove a significant disincentive for NGOs looking to transform into MFBs within the given timeframe.

Thus, the policy makers, that is the GoP and the SBP, continue to take an active part in the development and promotion of the microfinance sector. The cautious but sustained commitment of the SBP to develop a market-

oriented microfinance sector, couched within the overarching Access to Finance Programme, bodes well for laying down solid foundations upon which to build a strong structure in the years to come. The overall conducive policy environment has resulted in an above 45% growth rate sustained over more than three years, an increasingly competitive sector landscape characterized by a diverse set of players, increasing engagements by commercial banks with sector players at the micro and meso level, and the actual and intended entry of some of the most eminent foreign MFPs like BRAC and ASA of Bangladesh.

## Regulatory

During 2007-08 SBP demonstrated continued commitment to accommodate the evolving needs of a growing and increasingly diverse microfinance sector. As SBP gained further insight into the risks and opportunities posed by microfinance, with the MFBs continuing to streamline their systems and processes to improve compliance with existing regulation, a number of sector-specific regulatory changes were introduced.

**Subordinated Debt:** The Microfinance Institutions Ordinance, 2001 requires MFBs to maintain a capital adequacy ratio (CAR) of 15 percent of its risk-weighted assets and a minimum paid in capital of a certain amount (depending upon different tiers of licenses) at all times (free of losses). MFBs that do not meet the minimum paid up capital requirement must make up the shortfall by December 31, 2008.

To help MFBs in leveraging their first tier capital at a higher gearing ratio, the SBP has allowed MFBs to raise subordinated debt (tier-II capital) in local currency to supplement existing amounts of tier-I capital. Tier-I capital, classified as a bank's core capital, includes equity and disclosed reserves. Tier-II Capital has been defined to include both subordinated debt and revaluation surplus. Subordinated debt is primarily defined as an unsecured, plain vanilla debt that may be raised from any person or entity, preferably from sponsors<sup>1</sup>, in local currency only; entitled to profit payments, as decided by the MFB (with SBP's consent).

**Branchless Banking:** In March 2008 the SBP issued Regulations for Branchless Banking. The regulation allows for a bank-led model for the delivery of financial services through the use of point-of-sale (POS) technologies and mobile telephone devices. With the aim of enhancing financial sector outreach by developing low-cost distribution channels and outreach option, the SBP

authorised the financial sector to partner with telecom service providers for the provision of credit, savings, and remittance services. Given the rapidly expanding outreach of telecom companies in Pakistan (estimated at 82 million subscribers as of December 2007, with projections for 100 million by 2010), the telcos can prove to be valuable partners for the financial sector as a whole.

For the microfinance sector, the regulation provides a rapid growth option given the substantial reduction in operational and transaction costs for MFPs and their clients, respectively.

**Islamic Microfinance Banking:** Based on research carried out by SBP over the last few years, one factor of financial exclusion was identified as religious beliefs of the people. In order to ensure that people with religious belief become part of the financial system and play a major role in not only their own businesses and professions but for the national economy, the SBP designed guidelines that identified models for commercial, microfinance and Islamic banks to provide Islamic banking products to the microfinance niche market. It is hoped that this will open up new vistas of investment opportunities for both the corporate sector and retail savers who have not become part of the financial system due to their religious concerns.

## Institutional: Products, Clients and Financial Landscape

The year 2007-08 saw a continuation in the trend towards 'specialization' i.e., the move to financially and operationally separate the credit programmes of multi-dimensional MFPs. DAMEN, SAFWCO, and NRSP began the separation of their credit programmes in 2006. The process was completed in 2007. SRSP also started the separation of its credit programme in 2007.

As mentioned above, the sector also witnessed the entry of one of the largest MFPs from Bangladesh, BRAC, with the entry of a second institution, ASA, expected for 2008. The former entered Pakistan in 2007 as an NGO. In addition, recently the Aga Khan Agency for Microfinance set up a first dedicated micro insurance company in Pakistan that provides insurance services both as a retail player and through agency-partnership model.

<sup>1</sup> Other sources of subordinated debt could be third party institutional investors, such as pension funds, insurance companies, mutual funds – all of which require asset placement opportunities. Furthermore, investment banks and commercial banks could also be valuable potential sources for arranging and funding of subordinated debt.

## Product

Although the microfinance sector continues to be dominated by credit services, in recent years savings, and insurance products have been introduced by a number of players.

**Savings:** Within the microfinance sector, only licensed institutions (MFBs) are authorised to intermediate deposits. The mobilisation of deposits by these institutions however, is still in its infancy: savings products are largely designed as the conventional products offered by commercial banks. Moreover, MFBs account for only 0.04 percent of the total value of national savings, and 0.31 percent of the number of savings accounts, signifying the need for a more aggressive approach to deposit mobilisation (CLSA, 2008).

To facilitate innovations in savings-related services, the PMN in collaboration with ShoreBank International (SBI) undertook an initiative to lay down some basic knowledge-based groundwork for deposit mobilisation. As part of the initiative a supply-side Country Level Savings Assessment (CLSA), and a demand-side Client Assessment were conducted. The CLSA recommends experimentation with providing savings products suited to the needs of the low-income saver. For improved client accessibility, the study recommends partnerships as a less expensive alternative to the wider geographical presence of individual institutions.

Although the microfinance sector is already seeing movement on both counts through the innovative savings products offered by TMFBL (tameer-i-zindagi), and the partnership between TMFB and ASASAH, the deposit mobilisation process has yet to gain sufficient momentum and show significant results.

Since 2005 a number of MFPs have also experimented with micro insurance products. MFPs provide micro insurance services through the agency-partnership model. Initial initiatives largely focused on credit-life insurance. Under this insurance scheme, in case of loss of life the borrower household was given a one-time payment as funeral charges, while the remaining debt was written off; the remaining balance was paid to the MFP by the insurance company. As has been the case with micro-insurance globally, these early experiments focused primarily on protecting the MFP from loan losses in case of a borrower's loss of life.

Since these early experiments by the sector, the RSPs as a peer group have piloted an innovative insurance product covering death, disability and hospitalisation (premium PKR 100; pay-out PKR 45,000). The product was designed and administered in consultation with Adam Jee Insurance. It was tested over a one-year period (2006-07). Following

the pilot, a number of alterations have been introduced: 1). The product was tested with a premium of PKR 100 covering the individual borrower for death, disability and hospitalisation. The revised product covers the spouse of the borrower for the same premium. This has effectively cut borrower insurance costs by half. 2). The product now also covers maternity-related hospitalisation. This provision did not exist previously. NRSP renewed its agreement with Adamjee in 2007 and currently provides insurance cover to all its rural borrowers.

In addition, housing loans (NRSP, TMFBL) as well as health loans (NRSP) have been introduced. The health loan currently being piloted in Neelum Valley, AJK complements the micro insurance product of the organisation mentioned above. Since the insurance does not cover OPD, the health loan can be used to cover smaller (PKR 12,000) health expenses.

## Client

Microfinance outreach in Pakistan grew at more than 45 percent during 2007-08. With the sector aiming to reach 3 million active borrowers by 2010 and 10 million by 2015, this upward trend is likely to continue over the next few years. Organisations gearing up to meet these targets have demonstrated a tendency to overlap their services in terms of products as well as geographical presence. Based on the findings of a PMN-SBI study on rising competition, the proliferation and expanded outreach of pro-poor lending institutions within geographical pockets has signaled the emergence of challenges such as a rising incidence of multiple borrowing and over-indebtedness among clients. In light of this situation Consumer Protection has been identified as a priority area by practitioners as well as regulators. Initiatives to mitigate the challenges posed by rising levels of competition include the creation of a sector-wide credit information sharing system, and the facilitation of the social performance initiative spearheaded by the CGAP task force on Social Performance Measures together with The MIX.

**Credit Bureau:** The microfinance sector has committed to participate in a pilot credit bureau within the Lahore market. As a first step, the initiative aims at sharing negative client lists among MFPs. This can compensate for the risk control lost in fast-tracking loan applications and approval systems for quicker disbursement in high-competition conditions. It is envisioned that the credit bureau will be managed by a private-sector organisation.

**Social Performance:** Given the microfinance industry's success in developing a uniform financial reporting framework managed by The MIX, the industry is now looking towards developing a similar reporting framework for measuring the social effectiveness of MFPs. Asasah,

Kashf Foundation, FMFB and SAFWCO volunteered to pilot test the draft framework in early 2008. Based on the results of the pilot, which was conducted in a number of countries, the SPM reporting framework for the MIX, which aims to develop a social reporting framework for MFPs will be further refined providing a globally comparable yardstick for measuring social performance.

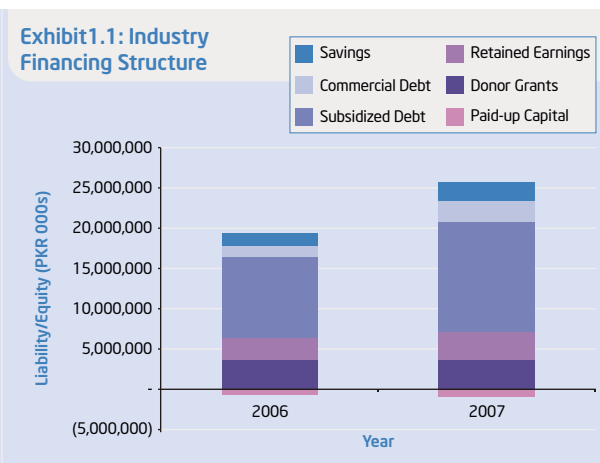
Additional measures include the development of a Code of Conduct (CoC) and a Poverty Scorecard (PSC) for the domestic industry. The CoC will be accompanied by a monitoring mechanism to ensure sector-wide compliance. The PSC is aimed at assisting organisations to more accurately target client groups at the inception of programme activities, as well as measuring programme impact from time to time.

## Financing

Total funding available to the sector showed a healthy increase of 33 percent during 2006-07. The funding mix largely remained the same with paid-up capital, donor grants and subsidised debt constituting major sources. Positive trends however, were identified with regard to savings, which increased from 11 to 13 percent of the total liabilities for the sector; and commercial debt, which increased from 8 to 11 percent of the total capital available to the sector.

The increase in commercial debt is accounted for by a limited number of private sector transactions such as the Kashf Foundation-Citibank commercial syndication, a term financing package of US\$22 million.

time to innovate and gain efficiencies or to continue in the traditional mode. Keeping this context in mind the current year's main section of this publication focuses on issues of efficiency and determines drivers for improving efficiency in Pakistan.



Given the paradox that microfinance industry in Pakistan has picked up and has achieved a few landmarks last year along with the fact that the macro context in Pakistan is moving south there is a dilemma for the industry. Industry leaders are planning and strategising to keep a balance between certain choices, to continue to grow at rates that have been achieved in the last couple of years or to consolidate, they are grappling with the fact that is this



## Growth Pangs

### The Efficiency Conundrum in Pakistan's Microfinance\*

#### 1. Microfinance Delivery Models

There are three alternative delivery models in practice by Pakistan's microfinance industry. Given the progressive nature of the microfinance legal framework in the country, the Microfinance Bank has become the most prominent of these three types. However, in recent years, some NGO MFIs following the Grameen model of microfinance have also been quite prominent. Other NGO MFIs provide loans on an individual basis mostly with monthly repayments and with group or individual guarantee mechanisms. The Rural Support Programmes (RSPs) are the well established face of rural development in the country. These are based on

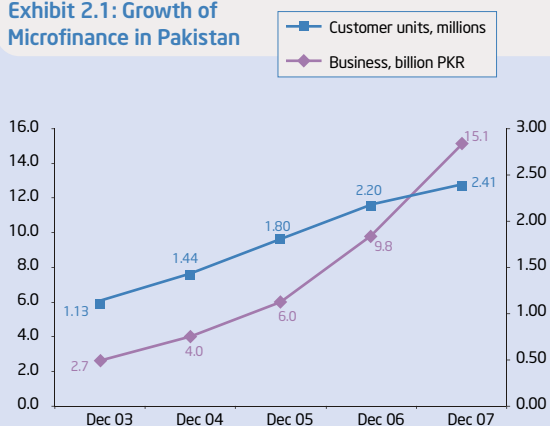
establishing and strengthening village organisations to manage their own development. RSPs are not microfinance-specific and tend to maintain close relations with government as they are closely linked with government development programmes. Their microfinance approach focuses on the provision of credit, though they also encourage voluntary savings that community organisations invest in banks. Provision of micro-insurance in the form of hospitalisation and death/disability benefits is another important initiative of the RSPs. This programme has evolved to where it currently involves establishing groups of 15-20 people all of whom take loans.

#### 2. Outreach and Productivity

Microfinance in Pakistan has grown strongly in recent years, albeit from a low base. During the four-year period 2004-07, the numbers of microfinance borrowers served by PMN members covered by this study grew at 51.4% per annum from 240,000 borrowers (December 2003) to 1.27 million at the end of 2007 while the number of savers increased much more slowly at an average of 6.5% per annum from 888,000 to 1.14 million. Clearly there is a substantial amount of overlap between borrowers and savers so this does not translate into 2.4 million clients overall but may be described, for analytical purposes, as 'customer units'.

The growth rate of outreach fluctuated from 83% in 2004 to 37-38% in the next two years and 51.6% in 2007. Portfolio grew more steadily at an average of around 53.1% per annum increasing from Rs. 2.3 billion at the beginning of 2004 to Rs. 12.7 billion at the end of 2007 while deposits grew even more strongly in terms of value

**Exhibit 2.1: Growth of Microfinance in Pakistan**



\* This article has been written by Mr. Sanjay Sinha, Managing Director, Micro-Credit Ratings International Limited

at an average of 61% per annum. The faster growth rate of business (portfolio plus deposits) than customer units is illustrated in Exhibits 2.1 & 2.2. There was a significantly increasing loan size per client but a leveling off in 2007 as the client and portfolio growth rates were nearly equal. Thus, loans outstanding per borrower increased from Rs. 6,629 (\$103) at the beginning of 2004 to around Rs. 10,100 (\$156) at the end of 2006 and 2007. This is on account of the increased loan sizes of well-established clients with the older MFIs, on the one hand, and the inclusion of new MFBs with larger loan sizes, on the other.

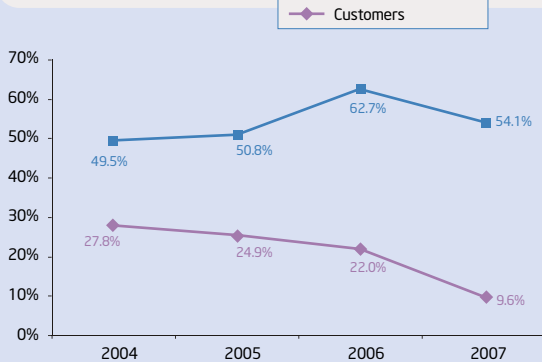
Despite this high growth, the performance of the microfinance sector in the matter of efficiency has been indifferent. Exhibit 2.3 shows the productivity and cost

efficiency of the different types of microfinance institutions in Pakistan. The information here assumes that voluntary depositors are distinct customers but compulsory savers are not. This means that nearly 300,000 savers with the NGO MFIs and over 700,000 members of RSPs have not been included in this calculation of productivity.<sup>2</sup>

In terms of both productivity and cost efficiency, the NGO MFIs are the most efficient of the mainstream microfinance models in Pakistan. While the microfinance banks carry higher loan officer customer loads, their staff productivity is somewhat lower than the RSPs and their cost efficiency is significantly lower. At nearly \$40 per customer, MFBs incur a much higher cost than the \$28 per customer of the RSPs and \$23 of the NGOs. This reflects the substantially higher salaries paid by the MFBs compared to programmes such as RSPs and NGOs. The productivity performance of the 'Top 5 MFIs' in Pakistan is not significantly different from the country average though the cost per borrower is lower on account of the lower costs of the Kashf Foundation and NRSP.

Overall, while the productivity and efficiency of Pakistan's microfinance is better than the global median productivity rates reported by the MBB, it is significantly lower than the South Asia average of 177 and just 64% of the 231 clients per staff member achieved by Indian MFIs<sup>4</sup>, resulting in the average cost per borrower for Indian MFIs being 40% of that incurred by Pakistani MFIs. Even over time, Pakistan's

**Exhibit 2.2: Growth Rates in Recent Years**



**Exhibit 2.3: Productivity and Cost Efficiency of Microfinance Models**

Type of MFI	Borrowers	Voluntary Depositors	Loan officers	Staff	Loan Offr Customer Load	Staff Productivity	Cost Per Customer
Microfinance banks	435,407	146,266	1,866	3,899	273	130	39.56
NGO MFIs	418,234		1,361	2,374	307	176	23.22
Rural Support Programmes	404,179		2,479	3,214	163	126	28.23
Other	8,900		25	37	356	241	21.31
<b>Total</b>	<b>1,266,720</b>	<b>146,266</b>	<b>5,731</b>	<b>9,524</b>	<b>234</b>	<b>141</b>	<b>32.43</b>
<b>Top5</b>	1,040,496	79,827	4,545	7,497	238	144	26.46
	82%	55%	79%	79%			
<b>Benchmarks, 2006</b>							
India, M-CRIL						231	12.3
S Asia, M-CRIL						177	~18
Asia, MBB <sup>3</sup>					206	125	39
Global, MBB					216	112	108

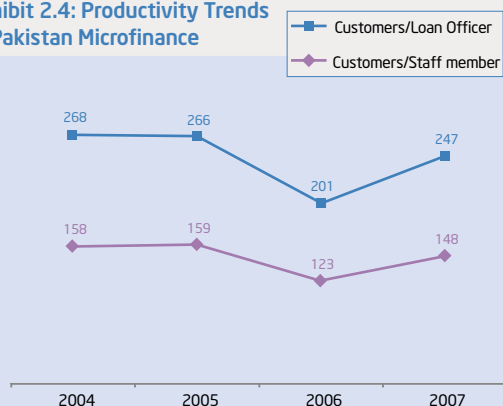
<sup>2</sup> Voluntary depositors with microfinance banks are assumed to require distinct service support (but at half the level required by microfinance borrowers) while collections from compulsory savers take place as a matter of routine in working with borrowers.

<sup>3</sup> MBB productivity data is for borrowers and not customer units; however, the since only MFBs have voluntary depositors the Pakistan MFI productivity for borrowers (133 per staff and 231 per loan officer) is not very different from the numbers in the table.

<sup>4</sup> M-CRIL/MIX, 2007. India Microfinance Review 2007. Gurgaon: Micro-Credit Ratings International Limited.

MFI's show a low productivity trend with a significant decline in 2006 followed by an improvement in 2007 leaving productivity still below the 2004-05 level (Exhibit 2.4). It is apparent that there was a significant ramping up of capacity by Pakistani MFI's generally during this period (with the Kashf Foundation, NRSP and FMFB making major contributions). While gains have accrued from this capacity, increase in terms of growth of clientele and portfolios, the continuing low productivity indicates that potential gains are yet to be fully realised.<sup>5</sup>

**Exhibit 2.4: Productivity Trends in Pakistan Microfinance**



### 3. Operating Efficiency - a consideration of operating expense ratios also indicates that microfinance banks are presently a high cost method of microfinance delivery

Moving from expenses per client, the discussion in this section covers operating expenses as a proportion of

portfolio. Apart from personnel expenses, the operating expenses of MFI's are made up of:

↳ **Other administrative expenses** - including the costs of maintaining a good management information system (MIS) and/or computers, stationery, utilities for the branches and head office, office rent (where applicable)

↳ **Travel expenses** - incurred mainly in staff reaching clients when they are located at greater than bicycling distance from the branch, dealings between banks & branches where there is a significant distance between them, and visits of staff/managers to and from the head office

↳ **Depreciation on fixed assets** - office buildings (if owned), computers and other office equipment, furniture and other fixtures.

Exhibit 3.1 shows the operating expense ratios (weighted and simple average)<sup>6</sup> for the various microfinance delivery models employed in Pakistan. It is apparent from the table that the microfinance banks can enhance their performance in terms of efficiency. These are relatively new institutions overall (average age 3.8 years) which could be assumed to be the reason for their low efficiency since both management experience and system stability takes some time to establish. However, even the oldest and largest of the MFI's, Khushhali Bank, has an operating expense ratio (OER) of 31%, higher than the typical MFI and significantly greater than the weighted average for the country. The other large MFI, First MicroFinanceBank Ltd., has an OER of 21% (adjusted for deposit mobilisation expenses), better than the average for the country but still behind the average NGO and the weighted average for the RSPs. Pakistan's microfinance as a whole is much less

**Exhibit 3.1: Operating Expense Ratios and Cost Distribution of Microfinance Models<sup>7</sup>**

Microfinance Model	Average OER		Cost Distribution		Average Age, Years
	Weighted*	Simple (typical MFI)	Personnel	Admin Expenses	
MFI's	34.10%	54.70%	54.70%	45.30%	3.8
NGOs	15.20%	18.50%	63.80%	36.20%	10.4
RSPs	18.70%	34.70%	58.80%	41.20%	8.3
<b>Overall</b>	<b>24.00%</b>	<b>33.10%</b>	<b>57.50%</b>	<b>42.50%</b>	<b>8</b>
Top5	22.10%	24.50%	61.70%	38.30%	9.4
India	15.60%	16.50%	51.00%	49.00%	7
S. Asia	16.10%				
Asia	16.90%		52.50%	47.50%	10
Global	20.10%		54.20%	45.80%	9

\* MFI figures adjusted for deposit mobilisation expenses for comparability with other MFI's.

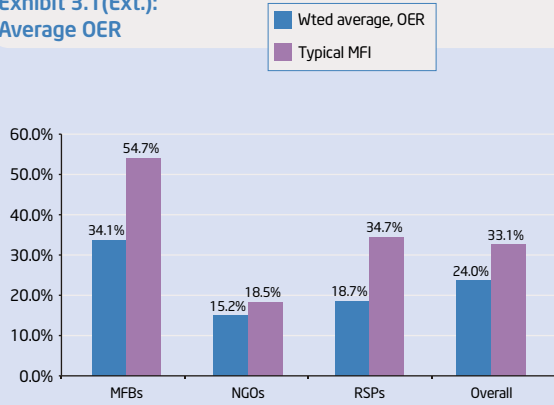
<sup>5</sup> In 2005 and 2006 there was an increase in the number of MFI's covered by the PMN data. Particularly the advent of new MFI's in 2006 had a significant impact on the productivity and efficiency ratios.

<sup>6</sup> As opposed to the weighted average. The simple average indicates the performance of a typical MFI picked at random without reference to its size.

<sup>7</sup> For the purpose of this analysis the OER for microfinance banks has been calculated after deducting from the expenses incurred the cost of servicing deposits. This has been assumed to be (a high) 5% of the average value of deposits for the year.

efficient than the medians obtained for both Asian microfinance and even than the significantly higher global median OER reported in the MBB.

**Exhibit 3.1(Ext.): Average OER**



The cost distribution of microfinance delivery in Pakistan makes an interesting picture. The overall contribution of personnel expenses to total operating expenses is relatively high when compared with the international average of 54.2% and at the upper end of the normal range for personnel expenses in microfinance worldwide. The Pakistan average of 57.5% is far higher than the 52.5% recorded for Asia. While NGOs are the most efficient in terms of OER, their 64% share of personnel expenses is highest amongst the microfinance models employed in Pakistan while microfinance banks (MFBS) have the lowest proportionate allocation of expenses to personnel. This would suggest a relationship between the personnel expense allocation and efficiency - the most efficient organisations have the highest allocation to personnel expenses - but analysis of individual MFI level data plotted as a scatter diagram in Exhibit 3.2 indicates no such correlation, the correlation coefficient being as low as 0.006%.

It is apparent that each category of MFI is influenced by the performance of the largest MFIs in that category but it does seem that MFBS incur high personnel expenses.

**Exhibit 3.2: Correlation Between OER and Personnel Expense Allocation**

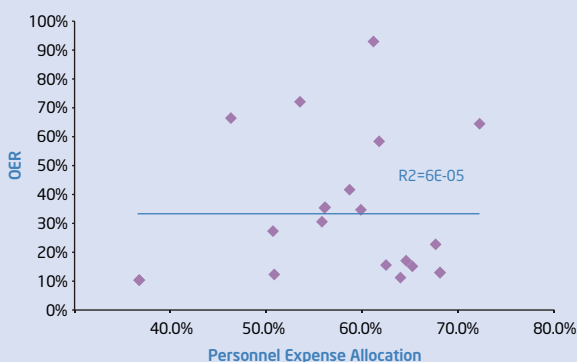
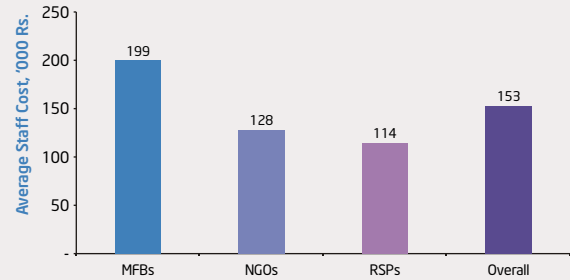


Exhibit 3.3 below shows that average MFB personnel expense is more than 50% higher than that for NGOs and 75% higher than RSPs. Since MFBs also have to incur significant administrative costs it is apparent that this seems to be a costly model of microfinance delivery.

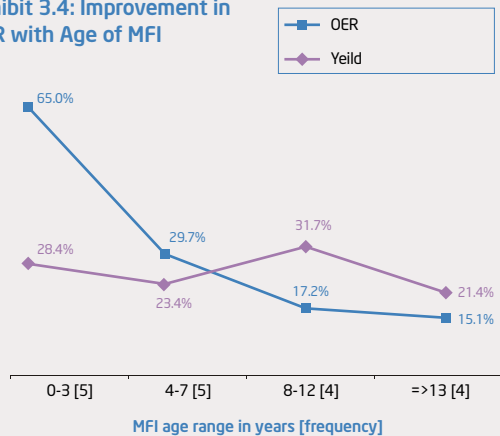
**Exhibit 3.3: Personnel Expenses Incurred by MFIs**



### 3.1 Operating Efficiency Improves with the Age/Experience of an MFI

Cross-sectional data for 2007 shows a marked tendency for operating efficiency to improve with age as it does in global microfinance. As Exhibit 3.4 shows, the four oldest MFIs (more than 13 years old) are the ones with lowest weighted average OER of 15.1% and all but one of the eight MFIs more than 7 years old record OERs below 25%.

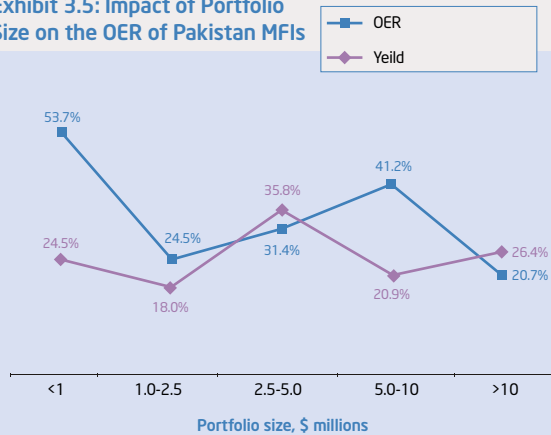
**Exhibit 3.4: Improvement in OER with Age of MFI**



### 3.2 ...But Not Necessarily with Portfolio Size

The relationship between portfolio size and operating efficiency (and portfolio yield) is presented in Exhibit 3.5. Portfolio size alone does not seem to have much influence on the OER. Indeed, the rising OER for the categories of MFIs with portfolios between \$2.5 million and \$10 million is counter-intuitive and suggests that other factors - such as microfinance delivery model, for instance - probably play a much larger role in determining MFI efficiency than portfolio size.

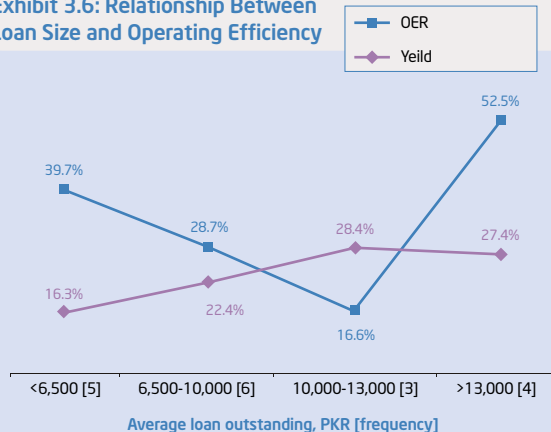
Exhibit 3.5: Impact of Portfolio Size on the OER of Pakistan MFIs



### 3.3 It is Loan Size that Matters for Operating Efficiency

As in the case of MFIs in India, average loan size has a much greater influence on operating efficiency than overall portfolio size. There is an irrefutable logic to this: the main operating expenses of financial institutions are incurred in the process of servicing customers, whether at the bank premises or at the customer's doorstep. These expenses are incurred for each transaction undertaken not by the size of the transaction; if the transaction is large (which it will be for a larger loan size) the proportionate cost of the transaction will be low. Exhibit 3.6 shows the relationship between loan size and operating efficiency amongst MFIs in Pakistan.

Exhibit 3.6: Relationship Between Loan Size and Operating Efficiency



By and large, the MFIs with the smallest loans are those with the highest poverty focus while those with larger loan sizes have a greater commercial orientation, albeit with a focus on the financially excluded. As the exhibit shows, the OER declines significantly with an increase in loan size from 39.7% for loans less than PKR 6,500 (\$100) to 16.6% for loans up to PKR 13,000 (\$200). For the largest category of loans (in excess or PKR 13,000 or \$200), however, there is a sudden spike in the OER to as much as 52%. This is explained by considering the four

MFIs in this category, three recently established MFBs (age, 2-3 years) and a leasing company.

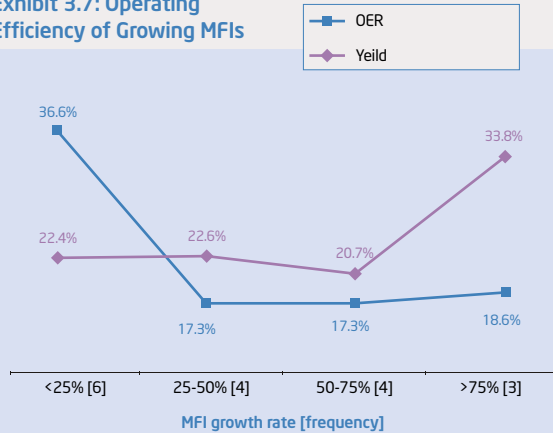
### 3.4 Are Faster Growing MFIs More Efficient?

In theory, it is the most efficient MFIs that are likely to generate the most resources to grow and are likely to grow the fastest. Conversely also, it is those with the ambition to grow that are likely to be the most efficient in order to generate the resources for growth and also to develop the comparative advantage necessary to cope with competition. An analysis of operating efficiency relative to the rate of growth of MFIs over the past year (January to December 2007) is presented in Exhibit 3.7. This provides some support for the hypothesis that the faster growing MFIs are more likely to be efficient but also points to the limitations of that view. Essentially, while the quest for growth provides an incentive to improve efficiency, growth itself imposes costs that increase the OER in the short term. These costs include:

- ↘ substantial pressure on infrastructure creation as a result of pushing geographical coverage widely to levels that require better communication and transport facilities as well as reducing the extent to which the sharing of facilities can take place between branches; this has the advantage of spreading geographical coverage of microfinance more widely but increases the average operating cost of the MFI
- ↘ staff recruitment and formal training beyond a level that is organically manageable; ideally experienced staff with the MFI should train newly joining staff as a routine part of their work but very fast growing institutions have to undertake extraordinary efforts at formal training and incur additional costs as a result
- ↘ a much higher level of staff supervision and internal control than is required in a more organically growing institution.

In Pakistan, the cost enhancing effect of rapid growth has yet to manifest itself fully unlike India where the effect is quite pronounced and very fast growing MFIs (growing at more than 75% per annum) record OERs in excess of 15% compared to the 12% average for the most efficient institutions growing at a slightly slower rate but still in excess of 50% per year. Thus, as the exhibit on next page shows, the 7 MFIs in Pakistan growing at rates faster than 50% per annum record only slightly higher OERs than those that grew at 25-50% during 2007.

**Exhibit 3.7: Operating Efficiency of Growing MFIs**



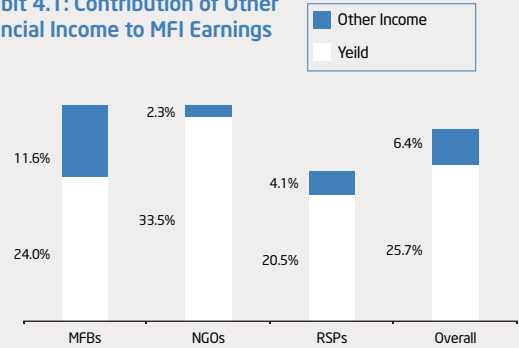
#### 4. Yield, Expenses and Sustainability – just 3 MFIs are fully sustainable while 5 are at the borderline, vulnerable to adverse changes in the cost of funds but could be strengthened by improvements in portfolio yield or operating efficiency

It is also interesting in the context of sustainability to examine the yield analysed by age, portfolio size, loan size and growth rate as presented in Exhibits 3.4-3.7. Clearly the level of the yield has no relationship with the age or experience of an MFI though the older MFIs are more likely to charge clients at a level that more than covers their operating expenses. Similarly, there appears to be no relationship between yield levels and portfolio size. There is a secular upward trend in the yield levels as loan size increases, except in the case of the largest category of loans where the small decline in yield can be attributed to the relatively new institutions in this category. The more commercial orientation of the fastest growing MFIs becomes apparent from the growth rate analysis in Exhibit 3.7, which shows that the yield of these MFIs is substantially higher than those of the slower growing categories and there is a substantial margin between yield and OER. The slowest growing category inevitably has a yield well below the OER, reflecting the substantial development orientation of the (large) leading MFI in this category.

Apart from the yield (otherwise described as portfolio income), some MFIs also have significant contributions to income from the investment of surplus funds in more conventional financial assets – treasury bonds, bank deposits and money market instruments. The extent to which these contribute to overall income is determined by the proportion of surplus funds available, the skill of the MFI's financial managers in making investments and the overall state of the financial market at the time. With less than 40% of assets in their loan portfolios, MFIs have a substantial proportion of funds invested in other financial

assets. As is apparent from Exhibit 4.1, the MFIs are able to top up their 24% yield with another 11.6% (of portfolio) from other financial assets. RSPs, with 70% of assets in loan portfolios are able to earn a much lower 4.1% from other financial assets while NGOs with 76% in portfolio earn only 2.3% as other income.

**Exhibit 4.1: Contribution of Other Financial Income to MFI Earnings**



The reason for these differences in the deployment of funds is the variation in operational policies across delivery methodologies. While NGOs exist purely for the purpose of microfinance service delivery, the microfinance banks start with the perspective of money management, albeit (mainly) for the benefit of the financially excluded micro-clients. By and large, their policy is to lend only out of deposits, restrict commercial borrowings and invest equity funds in relatively safe financial instruments. For the MF banks, therefore, balancing perceived risk by managing money across a variety of financial instruments is as important as serving the financial needs of their clients. The RSPs have other activities in addition to microfinance and, hence, tend to have somewhat larger amounts of finance available than are strictly required for their microfinance activities.

The main financial expenses incurred by MFIs are on payment of interest to depositors and the payment of interest and related fees/commissions to lenders. The Pakistan microfinance sector has seen an increase in its financial expenses from 3.7% of portfolio in 2004 to as much as 8.2% of portfolio in 2007 (Exhibit 4.2). The increase reflects an increase in the proportion of commercial financial liabilities as the sector has grown. The financial expenses incurred in Pakistan now compare well with those of India where the proportion of commercial financial liabilities to total assets has been over 70% for some years. Since international borrowing has not, so far been necessary, the average for Pakistan continues to be below the median for Asia and that for global MFIs as reported to the MBB.

**Exhibit 4.2: Increasing Trend in the Financial Expense Ratio**

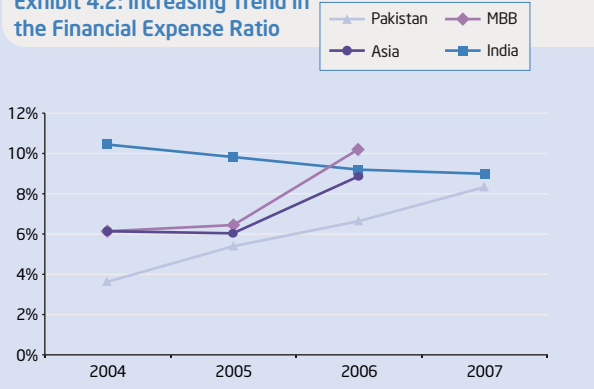
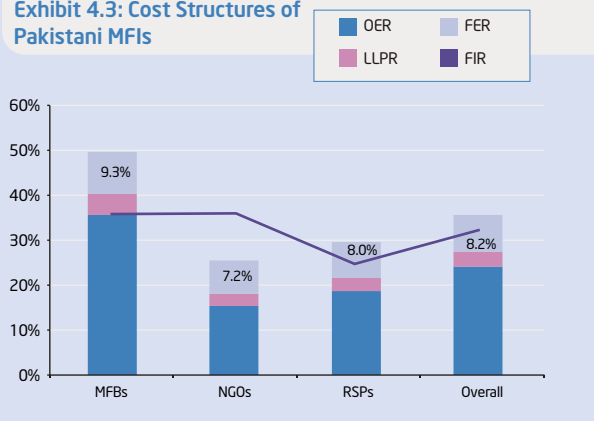


Exhibit 4.3 shows the impact of financial expenses on the total expenses incurred by MFIs. At an average of 8.9% the financial expense ratio (FER – financial expenses as a proportion of loan portfolio) is at roughly the median level incurred by MFIs globally. The level of 9.3% incurred by MFBs is the highest for microfinance models in Pakistan but other types of institutions have lower FERs. The high FER of the MFBs is related to the policy of a number of these institutions of making loans only out of deposits so that the ratio of deposits to GLP exceeds 100% for four of the banks. Since Khushhali Bank, the largest MFB, does not accept deposits, the overall ratio is just 52% and keeps the FER for MFBs as a whole in check.

**Exhibit 4.3: Cost Structures of Pakistani MFIs**



This results in a weighted average total expense ratio of 35.3% for Pakistan microfinance that is quite high compared to international benchmarks. MFBs in particular have a very high expense ratio of nearly 50% while NGOs and RSPs record much lower levels of 25% and 29% which are comparable with the global median levels for MFIs and only slightly behind the leading MFIs in Bangladesh, Nepal and India.

Also illustrated in the exhibit is the total financial income accruing to MFIs by the model they follow. It is apparent that, as a group, the MFBs are presently the least sustainable and NGOs the best performers. However, this figure masks much variation within the groups. In practice,

the information in Exhibit 4.4 shows that just four NGOs and one RSP (and the leasing company) have sufficient financial incomes to cover their total expenses and are, therefore, sustainable.

**Exhibit 4.4: Distribution of MFIs by Sustainability**

Profit in %	MFB	NGO	RSP	Overall
<-5%	5	2	3	10
-5% to 0	1	1		2
0-3%		2	1	3
>3%		2		3
	6	7	4	18

Three MFIs have a profit margin of less than 3% on portfolio and are, therefore, vulnerable to adverse changes in the cost of funds. Conversely, two MFIs have a loss of less than 5% and could, therefore, become sustainable if there are favourable changes in the cost of funds (unlikely in the current economic situation) or through improvement in portfolio yield in one case. The other MFI with a relatively small loss, FMFB is presently the best performing of the microfinance banks and has a low operating expense ratio for MFBs (27.7%) but higher than the 24% average for the sector and far higher than the 15% average for NGOs. FMFB is also the largest provider of deposit services amongst the MFIs and has a high financial expense ratio of 10.5% well above the sector average of 8.2%. This appears to confirm the high cost of offering deposit services and indicates the magnitude of the challenge that MFBs have in reducing the cost of such services.

One of the marginally profitable MFIs has a relatively high OER and could become more sustainable by addressing efficiency. Overall, four of these five "marginal" MFIs have yields below 20% (which could be increased) while one has OER in excess of 20% (which could be decreased) to improve their sustainability positions. The ten MFIs with losses in excess of 5% are either relatively new MFBs or have fundamental challenges in the matter of efficiency related to the ideological basis of their operations or to the conditions in which they operate.

## 5. How the Efficiency Issue Can Be Addressed – productivity improvements are essential especially in relation to the cost of raising deposits

It is clear from the discussion in this paper that the microfinance bank (MFB) is yet to become established in Pakistan as a sustainable model of microfinance. The oldest MFI type, the RSP, on the other hand, is well established as a model of development in Pakistan but is neither expected to be nor, largely, attempts to become sustainable. It is only NRSP, the largest of these, that has attempted to achieve sustainability in its microfinance programme by establishing separate divisions and has, thereby, succeeded in more than covering the cost of its microfinance operations.

**Lead Efficiency Indicators:** Considering the overall efficiency situation in Pakistan, it is apparent that staff productivity is low by international standards and could be improved by some 50% to bring it to the same order of magnitude as that achieved by MFIs in other parts of South Asia. In addition, the offer of voluntary deposit services to significant numbers of clients via the microfinance banks has introduced a service of great potential value but, in practice, it has proved to be a costly resource raising mechanism from a financial perspective reportedly partly on account of a focus on institutional deposits for which an interest premium must be paid. The deposit service is clearly an important factor in the high operating expense ratios recorded by MFBs and has also resulted in high financial expense ratios for the two larger MFBs on account of their significant deposit mobilisation from institutional clients. It is apparent that a considerable effort to address the challenge of providing the deposit service at a lower cost will be required to achieve the vision of a widespread network of microfinance banks to enable financial inclusion in Pakistan.

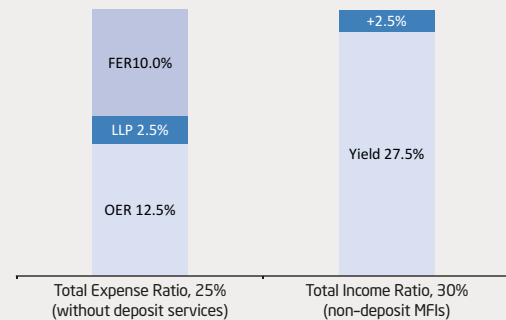
### Box: Rationale for the Projected Increase in FER

There has been an increase in the basic lending rate (KIBOR) from 9.5% to 13.5% in recent months. However, in the context of the current global economic crisis, the magnitude of this increase in a short period of time is both phenomenal and temporary. It is likely that the increase will settle at around 2% in the medium term, leading to a 1.4% effect on average FER given a financial liabilities/total assets ratio of around 70%. With the average FER currently at 8.2%, adding 1.4% takes it to 9.6% and still leaves a cushion of 0.4% in case the banks enhance their risk perception of MFIs and charge a higher than anticipated rate.

**Target Performance Parameters:** Based on this analysis the expense and income structures set out in Exhibit 5.1 should be achievable by those MFIs in Pakistan that offer credit and (only) compulsory saving products resulting in a Total Expense Ratio (TER) of around 25%. This consists of:

- ↘ an Operating Expense Ratio of 12.5% as achieved by some of the leading NGOs in Pakistan as well as other parts of South Asia
- ↘ a loan loss provisioning ratio of 2.5% as already achieved by NGOs in Pakistan (but somewhat lower than that reported by MFBs at present)
- ↘ Financial Expense Ratio of 10%. This is based on the current FER of around 7% achieved by NGOs but with the debt to GLP ratio falling from 128% to around 80% and an increase in commercial liabilities as opposed to subsidized funding by PPAF. It also takes into account the increasing rate charged for commercial debt (see Box).

Exhibit 5.1: Target Performance Parameters for Pakistani MFIs



- ↘ For MFBs, offering voluntary deposit products appears to add another 4-6% to the OER at present and it is unlikely that this could be brought down significantly. The addition of 5% to OER for mobilizing deposits would increase the TER to around 30%.

In order to offer these services at a reasonable cost and yet generate some resources for growth, MFIs would need to earn an income of the order of 30% of portfolio without voluntary deposits and MFBs (offering voluntary deposit services) would need to earn 35%. Based on the current experience, even with about 70% of funds deployed in portfolio, MFIs can earn some 2.5% of portfolio from investment in commercial financial instruments. Thus, an appropriate target portfolio yield would be 27.5% without voluntary deposits and 32.5% with voluntary deposits. An additional challenge for the future would be for MFBs to bring down their OERs to a level of 10% (rather than the 12.5% targeted above) and to pass on the benefits to clients through reduced interest charges, reducing their yields to 30% and making their loans more competitive with other MFIs.

**Efficiency Metrics:** In the discussion in Section 2 above, voluntary depositors are assumed to need roughly half the servicing that MFI staff must provide to borrowers. Clearly this ratio of 0.5:1 for savers versus borrowers needs to be fine-tuned based on the actual experience of MFIs but this should be possible for MFI managements to do based on discussion with staff. This will enable the development of an appropriate formula for determining productivity that can be compared over time and also for the productivity numbers to be normalised for comparison with MFIs in other countries.

Similarly, in the case of efficiency (cost per customer) and the calculation of OER, this discussion has assumed that the cost of servicing deposits is 5% (of the deposit amount). Thus, if deposits as a proportion of portfolio are 60%, then the deposit service adds 3% to OER. Again the 5% assumption may need correcting based on the experience of the MFI but the formula provides the basis for both cross-sectional comparisons (with other MFIs) and for monitoring the trend the performance of an MFI over time.

**A Comparable Peer Group:** The issue of efficiency metrics for Pakistan's microfinance banks is a complex one. There are various forms of rural banks all over Asia. These are presented in Exhibit 5.2 (in order of comparability to the MFBs) along with typical OERs recorded and portfolio yields charged by them.

While Nepal's Micro Credit Development Banks (and public sector Regional Rural Development Banks) must keep all loans within the microfinance loan size definition fixed by the central bank, the Philippines' (Microfinance-oriented) Rural Banks must maintain at least 50% of their portfolio within the specified limit. Like Pakistan's MFBs, both types of rural banks are allowed to accept deposits of all sizes and terms. The public sector RRBs of India and BPRs of Indonesia have no such restriction though, in the former case, geographic restrictions and directed credit requirements ensure that over 80% of the portfolio conforms with the central bank's informal definition of microfinance. The BPRs not only have geographic restrictions, these are also mostly small one branch banks.

While the yields achieved by the Philippines Rural Banks are of the same order of magnitude as the MFBs, the operational expense ratios of the more efficient Rural

Banks (9-11%) are much lower than those of the MFBs. Similarly, the OERs of Nepal's MCDBs (9-12%) are much lower than those of MFBs but their yields, partly perforce under the influence of the Maoist movement, have also been limited to a median of 20%. Information on both these types of bank are relatively easily available - from the Nepal Rastra Bank for the MCDBs and the MABS project as well as the Bangko Sentral ng Pilipinas for the Rural Banks. Thus, these two types of bank form reasonable peer groups for comparing the performance of the MFBs; India's RRBs and Indonesia's BPRs are not only less comparable, information on these is not so centralised and is less easily available (though M-CRIL's current project on RRBs should throw up a wealth of information on RRBs and also on India's District Cooperative Banks in the immediate future).

To conclude, the discussion in this paper shows that though Pakistan's microfinance sector has grown substantially over the past few years the cost per borrower remains high and staff productivity is still relatively low. The attempt to promote microfinance outreach and broad based services via the institutional innovation of the microfinance bank has, apparently, yet to become established as an efficient means of promoting financial services for low income clients. The wide range of methods employed under the NGO MFI category means that there is no clearly superior model there though the MFIs using the Grameen method have been able to achieve a significant reduction in cost. The challenge for the next few years will be for MFIs in Pakistan to improve productivity, control costs and ensure greater outreach of deposit and credit services (as well as the introduction of payments and insurance services, if possible) to the large proportion of the low income population still unable to gain access to the formal financial system.

**Exhibit 5.2: Selected Types of Rural Banks in Asia**

Type of Bank	Country	Typical OER,%	Typical Yield,%
Micro Credit Devt Bank/ Regional Rural Devt Bank	Nepal	12-Sep	18-22
Rural Bank (Microfinance-oriented)	Philippines	11-Sep	25-40
Regional Rural Bank (RRB)	India	10-Apr	10-Jul
Bank Perkreditan Rakyat (BPR)	Indonesia	20-May	25-40

## Looking Ahead

The microfinance sector in Pakistan has moved well over the past few years as a result of a sustained effort and leadership at the policy and the institutional level and it is now beginning to receive due attention as an emerging player within the global microfinance Industry.

The sector is beginning to take roots and is demonstrating its ability to intermediate effectively to provide a more equitable distribution of capital across population segments. However, there are certain challenges that persist and require our immediate attention:

### The Macro Context

There are three dimensions to this issue; the political uncertainties, problems on the western frontiers (FATA and FANA) along with Talibanisation in the NWFP and the macro-economic downturn. Though as discussed in the first section of this report that the microfinance industry has outperformed the overall politico economic downturn. There are increasing signs that especially in the urban areas disposable income of our clients are facing a hit and they are now using on average more than 60% of their income in food consumables as compared to 40% a year back. Together these factors especially increase in headline inflation is going to start impacting the microfinance industry negatively.



### Funding Gap

All estimates suggest that one of the factors that may stall the growth momentum this sector has achieved over the last few years could be non-availability of debt fund now and equity investment by the middle of 2009. It is estimated that in order to achieve the 3M target as set out by the industry under the leadership of the SBP, an incremental US\$600-700M is required in debt, deposit and equity to achieve the set target. This also clearly indicates the fact that though we do need a credit enhancement facility in the short to medium term the real strength of the sector will rest on the fact that we need MFBs to start mobilising deposits as that will lead to both availability of a permanent and stable source of financing which is also cost-effective given the current volatile interest rate market.

### Efficiency and Productivity Gains

As discussed in the earlier section there is potential for the industry, especially MFBs to improve their efficiency. It is generally felt that this could be achieved through:

1. Achieving economies of scale,
2. Improving productivities,
3. sustained deposit mobilisation and
4. using alternative delivery channels.

### Corporate Governance

Within the sector, increased focus on attracting commercial finance and the importance of following good corporate governance practices cannot be under estimated. This means that we will not only require a more diverse 'Board'

that understand the business of microfinance in addition to knowing development and banking. MFPs will need to build on their systems and hire a professional senior management team that can function and forecast future and plan for contingencies.

The microfinance sector in Pakistan has come of age. One of the signs being that the debate has shifted from interest rates and poverty to sustainable microfinance that can lead to growth and provision of services, bringing prosperity and reducing vulnerabilities of the population defined as the microfinance niche market.

The PMN's view of the industry is positive, despite the problems and challenges discussed in the above sections. We hold this view for the following reasons:

1. SBP continues to play a facilitation role with open debates and discussions on a wide range of issues, including regulatory challenges and providing liquidity to the industry.
2. There are 4-5 strong tier-I MFPs that will drive the industry. This is true in any other country or region across the globe.
3. The microfinance industry has started interacting with commercial banks and capital markets and there is an open debate within the different players in the financial markets to provide commercial risk capital for microfinance.
4. The tier-II institutions are becoming specialized MFI's and hiring management with finance background. Some of the MFI's are looking at including independent directors with a banking and finance background to add to the depth of their governance structure
5. International Financial Institutions (EX. FMO, KfW, IFC) hold a positive view and are entering the market through different financing instruments.
6. Microfinance Investment Vehicles (MIV's), subject to central bank approval, are willing to provide both senior and sub-debt to certain MFPs.
7. PMN, the national level association of MFPs continues to add to the knowledge-base of the industry by commissioning high quality research on topics as varied as savings to mapping of delinquency to housing and rural finance.
8. Though Credit Bureau facilities are being provided to the MFBs through the public registry in the SBP, provision of Credit Bureau Services will soon be made available to the entire industry with the establishment of a pilot in Lahore. This is being done by PMN with active collaboration and support of the SBP.

## Sources of Data

### Microfinance Banks:

#### Khushhali Bank (KB)

- ↘ KB has provided PMN with its audited accounts. The figures reported in the PIR match these reports.
- ↘ The PMN analyst has made all the necessary adjustments to the KB data to remove subsidies. Adjustments were not made for loan loss provisioning expense, since KB is aggressive in its policies as required by the SBP.
- ↘ KB prepares accounts on historical cost basis using accrual system of accounting.
- ↘ The data on distribution of clients in terms of urban-rural mix and gender has been taken from their MIS.
- ↘ The ageing of portfolio has been taken from MIS.
- ↘ The data on number of staff and staff divided as credit officer and the number of branches is available from the audited accounts, however we have taken these figures from MIS.

#### Tameer Microfinance Bank (TMFBL)

- ↘ TMFBL has provided PMN with its audited accounts. The figures reported in the PMR match these reports.
- ↘ The PMN analyst has made all the necessary adjustments to the TMFBL data to remove subsidies. Adjustments were not made for loan loss provisioning



expense, since TMFBL is aggressive in its policies as required by the SBP. An adjustment for cost of borrowing was not made since these are all commercial borrowings. Since the bank started operation in 2006 inflation adjustment on cost of equity was not carried this year.

- ↘ TMFBL prepares accounts on historical cost basis using accrual system of accounting.
- ↘ The data on distribution of clients in terms of urban-rural mix and gender has been taken from the MIS.
- ↘ The data on number of staff and staff divided as credit officer and number of branches is available in the audited accounts.

#### Pak Oman Microfinance Bank Limited (POMFBL)

- ↘ POMFBL audited accounts have been taken from newspapers. The figures reported in the PIR match these reports.
- ↘ The PMN analyst has made all the necessary adjustments to the POMFBL data to remove subsidies. There is no adjustment on financial cost since the POMFBL is neither using any concessional borrowing nor using any commercial borrowing. Similarly there is no adjustment on loan loss provisioning expense, since POMFBL is aggressive in its policies as required by the SBP.
- ↘ POMFBL prepares accounts on historical cost basis using accrual system of accounting.
- ↘ The data on distribution of clients in terms of urban-rural mix and gender has been taken from the MIS.
- ↘ The ageing of portfolio in rupee value is verifiable from

the audited accounts, as is the case for write-offs. However, we have taken these values from MIS.

- ↘ The data on number of staff and staff divided as credit officer and number of branches is available in the audited accounts.

### **The First Microfinance Bank Limited (FMFBL)**

- ↘ FMFBL has provided PMN with its audited accounts. The figures reported in the PIR match with these reports.
- ↘ Financial statements for the year 2005 have been restated.
- ↘ The PMN analyst has made all the necessary adjustments to the FMFBL data to remove subsidies. There is no adjustment on financial cost since the FMFBL is neither using any concessional borrowing nor using any commercial borrowing. Similarly there is no adjustment on loan loss provisioning expense, since FMFBL is aggressive in its policies as required by the SBP.
- ↘ FMFBL prepares accounts on historical cost basis using accrual system of accounting
- ↘ The data on distribution of clients in terms of urban-rural mix and gender has been taken from the MIS.
- ↘ The ageing of portfolio in rupee value is verifiable from the audited accounts, as is the case for write-offs. Also we took ageing on number of loans and amount outstanding from the audited accounts.
- ↘ The data on number of staff and staff divided as credit officer and number of branches is available in the audited accounts.

### **Network Microfinance Bank (NMFB)**

- ↘ NMFB has provided PMN with its audited accounts. The figures reported in the PIR match these reports.
- ↘ The PMN analyst has made all the necessary adjustments to the NMFB data to remove subsidies. There is no adjustment on financial cost since the NMFB is only accessing commercial sources of borrowing. Similarly there is no adjustment on loan loss provisioning expense, since NMFB is aggressive in its policies as required by the SBP.
- ↘ NMFB prepares accounts on historical cost basis using accrual system of accounting.
- ↘ The data on distribution of clients in terms of urban-rural mix though not available in the disclosures is however obvious since NMFB only works in Karachi and its peri-urban areas. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- ↘ The ageing of portfolio in rupee value is verifiable from the audited accounts, as is the case for write-offs. However we took ageing for number loans from the MIS.

- ↘ The information on total staff and credit officer's and number of branches has been made available from the MIS these are not disclosed in the notes.

### **Rozgar Microfinance Bank (RMFB)**

- ↘ RMFB has provided PMN with its audited accounts. The figures reported in the PIR match with these reports.
- ↘ The PMN analyst has made all the necessary adjustments to the RMFB data to remove subsidies. There is no adjustment on financial cost since the RMFB is neither using any concessional nor any commercial sources of borrowing. Similarly there is no adjustment on loan loss provisioning expense, since RMFB is aggressive in its policies as required by the SBP.
- ↘ RMFB prepares accounts on historical cost basis using accrual system of accounting.
- ↘ The data on distribution of clients in terms of urban-rural mix though not available in the disclosures is however obvious since RMFB only works in Karachi and its peri-urban areas. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- ↘ The ageing of portfolio in rupee value is verifiable from the audited accounts, as is the case for write-offs. We took ageing for number of loans from the MIS.
- ↘ The data on number of staff and staff divided as credit officer and number of branches is available in the audited accounts.

### **Specialized NGO MFIs:**

#### **Kashf Foundation (Kashf)**

- ↘ Kashf has provided PMN with its audited accounts. The figures reported in the PIR match these reports.
- ↘ The PMN analyst has made all the necessary adjustments to the Kashf data to remove subsidies. There is no adjustment on loan loss provisioning expense, since Kashf is aggressive in its policies.
- ↘ Kashf prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.
- ↘ The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- ↘ The ageing of portfolio in rupee value is verifiable from audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. However, there is a proper disclosure on movement in portfolio, loan loss provisioning and write-off. The notes clearly

disclose loans considered good and those considered doubtful.

- ↘ The data on number of total staff and its breakup for credit officers and number of branches was drawn from the MIS, and was not available in the audited accounts.

### **Sindh Agricultural and Forestry Workers Coordinating Organization (SAFWCO)**

- ↘ SAFWCO has provided PMN with its audited accounts for the reporting period, and the figures tally with the reported data.
- ↘ Though SAFWCO is an integrated programme, accounts for its microfinance function are kept separate.
- ↘ Income and expenses are booked on an accrual basis.
- ↘ The PMN analyst has made all the necessary adjustments to the SAFWCO data to remove subsidies.
- ↘ SAFWCO prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices using the principles of fund accounting.
- ↘ The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- ↘ The ageing of portfolio in rupee value is not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. There is no proper disclosure on movement in loan portfolio, loan loss provisioning and write-off. However figures on loan loss provisioning, OLP and Loan loss reserve are disclosed in the financial statement.
- ↘ The data on number of total staff and loan officers was drawn from the MIS.
- ↘ SAFWCO will need to improve its disclosures regarding loan portfolio.
- ↘ Since SAFWCO has changed its financial year to July - June this year financial information is for 18 months.

### **Development Action for Mobilization and Emancipation (DAMEN)**

- ↘ DAMEN has provided PMN with its audited accounts.
- ↘ The PMN analyst has made all the necessary adjustments to the DAMEN data to remove subsidies. There is no adjustment on cost of borrowing since DAMEN actual cost is higher than the adjusted cost. Similarly there is no adjustment on the loan loss provisioning expense since DAMEN has an aggressive policy.
- ↘ DAMEN is an integrated programme but has separated its financials for microfinance.

- ↘ DAMEN prepares its financial statements under the historical cost convention and in conformity with accepted accounting practices.

- ↘ The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.

- ↘ The ageing of portfolio in rupee value and in accumulated numbers is verifiable from the audited accounts. However breakup for the number of loans doubtful was obtained from the MIS. There is a proper disclosure in terms of movement in portfolio, loan loss provisioning and write off.

- ↘ The data on number of total staff and loan officers was drawn from the MIS.

### **Community Support Concern (CSC)**

- ↘ CSC has provided PMN with its audited accounts.
- ↘ The PMN analyst has made all the necessary adjustments to the CSC data to remove subsidies. There is no adjustment on cost of borrowing since CSC actual cost is higher than the adjusted cost. Similarly there is no adjustment on the loan loss provisioning expense since CSC has an aggressive policy.
- ↘ CSC prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- ↘ The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- ↘ The ageing of portfolio both in rupee value and in numbers was not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. However, there is a proper disclosure on balance sheet of loan portfolio, loan loss provision and expense charged during the year to income statement.
- ↘ The data on number of total staff & loan officers and the number of branches was drawn from the MIS.
- ↘ Since CSC has changes its financial year to July-June this year information is for 18 months.

### **Akhuwat**

- ↘ Akhuwat has provided PMN with its audited accounts.
- ↘ The PMN analyst has made all the necessary adjustments to the Akhuwat data to remove subsidies. There is no adjustment on cost of borrowing since Akhuwat only carries accounts payable on its liability side of the balance sheet. Similarly there is no adjustment on the loan loss provisioning expense since

Akuwat has an aggressive policy.

- ↘ Akuwat prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- ↘ The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- ↘ The ageing of portfolio in rupee value & in numbers was not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. There is no proper disclosure in terms of movement in portfolio, loan loss provisioning and write off. However, there is a proper disclosure on Balance Sheet of loan portfolio, loan loss provision and expense charged during the year to income statement.
- ↘ The data on number of total staff & loan officers and number of branches was drawn from the MIS.

### Orangi Pilot Project (OPP)

- ↘ OPP has provided PMN with its audited accounts for the reporting period, and the figures tally with the reported data.
- ↘ OPP though an integrated programme, but keeps separate accounts for its microfinance function.
- ↘ OPP prepares four separate sets of audited accounts for 4 different credit project that they carry, it will be more useful if a consolidated audited accounts are prepared for the 4 different projects.
- ↘ Revenue and expenditure are recognised on cash basis.
- ↘ The PMN analyst has made all the necessary adjustments to the OPP data to remove subsidies. There is no adjustment on borrowing since the actual cost is higher than the adjusted cost, similarly there is no loan loss provisioning expense since OPP is aggressive in its policies.
- ↘ OPP prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- ↘ The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- ↘ The ageing of portfolio in rupee value is not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. There is a proper disclosure on movement in loan portfolio; however there is no disclosure on loan loss provisioning and write off. All the data is thus taken from the MIS.

- ↘ The data on number of total staff for OPP is not disclosed, hence all data on number of total staff & loan officers and number of branches was drawn from the MIS.

### Asasah

- ↘ Asasah has provided PMN with its audited accounts.
- ↘ The PMN analyst has made all the necessary adjustments to the Asasah data to remove subsidies. There is no adjustment on inflation since Asasah has a negative equity, cost of borrowing since Asasah actual cost is more than adjustment, loan loss provisioning expense as Asasah is aggressive in its policies.
- ↘ Asasah prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- ↘ The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- ↘ The ageing of portfolio in rupee value is not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. However, there is a proper disclosure on movement in portfolio, loan loss provisioning and write off.
- ↘ The data on number of total staff & loan officers and number of branches was drawn from the MIS.

### Rural Support Programmes:

#### National Rural Support Programme (NRSP)

- ↘ NRSP has provided its audited accounts for the reporting period to PMN and the figures tally with the reported data.
- ↘ NRSP has prepared separate financial statements for microfinance operations for the first time.
- ↘ The PMN analyst has made all the necessary adjustments to the NRSP data to remove subsidies. There is adjustment for financial cost and of inflation on equity, but there is no adjustment on loan loss provisioning expense, since NRSP is aggressive in its policies and all loans > 90 days past due are 100% provided for.
- ↘ NRSP prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- ↘ The data on distribution of clients in terms of urban-rural mix though not available in the disclosures but is obvious since NRSP has a separate programme for urban areas and rural areas and their information is separately

available. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.

- ↘ The ageing of portfolio in rupee value is not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. However, there is a proper disclosure on movement in portfolio and write offs. We will appreciate if from next year NRSP could provide a separate disclosure on movement in provisioning of portfolio.
- ↘ The data on number of total staff & loan officers and number of branches has been drawn from audited accounts.

### **Punjab Rural Support Programme (PRSP)**

- ↘ PRSP has provided its audited accounts for the reporting period to PMN and the figures tally with the reported data.
- ↘ Since PRSP is an integrated programme; the following resource allocation process was followed
  - a) The directly identified accounts for credit and non credit functions were directly transferred to the respective programs
  - b) All other accounts that were common to the institution were transferred in the ratio of 60% to credit and 40% to non credit.
  - c) As such 60% of PRSPs investment income was credited to credit operations of PRSP
- ↘ The PMN analyst has made all the necessary adjustments to the PRSP data to remove subsidies. This also includes writing of all the GLP above 360 days past due.
- ↘ PRSP prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- ↘ The data on distribution of clients in terms of urban-rural mix though not available in the disclosures but is obvious since PRSP only works in rural areas of Punjab. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- ↘ The ageing of portfolio in rupee value is not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. However, there is a proper disclosure on movement in portfolio, loan loss provisioning and write offs.
- ↘ The data on number of staff for PRSP as a whole is available. We had to allocate staff to the credit programme on the basis mentioned above. The data for credit officers has been taken from the MIS.
- ↘ The PMN cannot 100% rely with data on active borrowers.

### **Thardeep Rural Development Programme (TRDP)**

- ↘ TRDP has provided its audited accounts for the reporting period to PMN and the figures tally with the reported data.
- ↘ TRDP has also prepared the separate financial statements for microfinance operations for the first time.
- ↘ The PMN analyst has made all the necessary adjustments to the TRDP data to remove subsidies.
- ↘ TRDP prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- ↘ The data on distribution of clients in terms of urban-rural mix is not available in the disclosures but has been obtained from their MIS. The data on gender segregation was taken from the MIS and is not available in notes to the accounts.
- ↘ The ageing of portfolio in rupee value & in number of loans is taken from the audited accounts.
- ↘ The data on the number of staff and data for credit officers has been taken from the MIS.

### **Sarhad Rural Support Programme (SRSP)**

- ↘ SRSP has provided its integrated audited accounts for the reporting period to PMN and have also provided separate un-audited accounts for its microfinance operations.
- ↘ SRSP has prepared separate financial statements for microfinance operations for the first time and is in the process of getting those audited from the current financial year.
- ↘ The PMN analyst has made all the necessary adjustments to the SRSP data to remove subsidies. There is adjustment for financial cost and of inflation on equity, but there is no adjustment on loan loss provisioning expense, since SRSP is aggressive in its policies.
- ↘ SRSP prepares its financial statements under the historical cost convention and in conformity with the accepted accounting practices.
- ↘ The ageing of portfolio in rupee value is not verifiable from the audited accounts. Both ageing on number of loans and value of portfolio was obtained from the MIS. However, there is a proper disclosure on movement in portfolio and write-offs. We will appreciate if from next year SRSP could provide a separate disclosure on movement in provisioning of portfolio.
- ↘ The data on number of total staff & loan officers and number of branches has been drawn from audited accounts.

## Others:

### **Orix Leasing Pakistan Limited (OLP-MFD)**

- ↘ OLP has provided PMN with its audited accounts. However, since the audited accounts does not disclose figures related to Microfinance Division these are not verifiable with audited accounts.
- ↘ OLP has separate staff and office for MFD and the bank provides figures to MFD only against those accounts that directly deal with micro credit operations of the MFD.
- ↘ OLP prepares accounts on historic costs and using accrual system of accounting.
- ↘ PMN has made adjustments as per its adjustment policies; these are in line with international practices being followed by The MIX.

### **SUNGI Foundation (SF):**

- ↘ SUNGI has provided PMN with both its audited accounts for the integrated programme and un-audited financials for microcredit programme.
- ↘ The PMN cannot own the quality of this data.
- ↘ We would urge SF to hire good quality audit firms and prepare separate set of audited accounts for its microfinance operations.
- ↘ The quality of data from MIS has improved from last year.

## Pakistan Microfinance Network

One of the primary objectives of the Pakistan Microfinance Network (PMN) is to establish the use of performance measures, benchmarks and promote financial transparency in retail MFIs. Members seek to improve their microfinance programmes by adopting best practices. To further this objective, the PMN publishes Pakistan Microfinance Review (PMR) on an annual basis.

Readers should be aware of the following:

- ↘ Members self-report their information and provide a copy of their audited accounts for verification.
- ↘ The data presented in the Pakistan Microfinance Review are not performance ratings. Rather, they aim to build transparency, establish benchmarks, help members interpret their own programmes and set an example for other institutions to follow.
- ↘ The members' financial statements and data are adjusted to remove subsidies and make it comparable with international reporting. The PMN makes all those adjustments that are made by The Mix for publishing MicroBanking Bulletin. These include adjustment on subsidized cost of funding, inflation, adjusted loan loss provision expense / loan loss reserve and in-kind subsidy adjustment.
- ↘ Several PMN members are multi-service organisations, which makes the separation of resources associated with microfinance operations complicated. The resource allocation method followed by each organisation is disclosed in this report.

- ↘ If you need to analyse this report, please read the ratios in conjunction with how they are defined by PMN in this report and with the disclosures provided in this report.
- ↘ The inflation figures used are those reported by the State Bank of Pakistan. Inflation has a significant impact on sustainability. Sustainability ratios of members that fund their operations primarily from pools of donor grant equity are more sensitive to inflation.

### Previous Performance Reports Published by PMN:

- |                          |                          |
|--------------------------|--------------------------|
| 1. January–December 1999 | 6. January–December 2002 |
| 2. January–December 2000 | 7. Financial Year 2003   |
| 3. January–June 2001     | 8. Financial Year 2004   |
| 4. January–December 2001 | 9. Financial Year 2005   |
| 5. January–June 2002     | 10. Financial Year 2006  |

## About Pakistan Microfinance Network

### Background & Introduction:

PMN is a network for organisations engaged in microfinance and dedicated to improving the outreach & sustainability of microfinance in Pakistan. Compared to some other countries, the microfinance sector in Pakistan is in the initial stages of development. Estimates suggest that almost 8.3 million households in Pakistan need microfinance services, but services reach only a tiny fraction of this population. The PMN estimate suggests that over the last couple of years MFIs have been able to cover almost 18% of the demand. If microfinance is to

reach its potential, and serve a large share of the microfinance market, practitioners must improve their programmes and run them in a commercial and sustainable way. The PMN in an effort to address these issues has become increasingly active since 1999. The PMN has built greater awareness among policy makers, arranged specialised trainings, and established standards for financial transparency and benchmarking. The PMN is proud to be one of the few microfinance networks that report its member's data to The Micro Banking Bulletin, has created profiles of all its members on The Mix Market and reports almost 100% of the indicators for all its members in the PMR.

### Vision, Mission and Objectives:

It is PMN's vision that

*"The frontiers of formal financial services reach out to all"*

Our mission is to

*"Support the sector especially retail microfinance providers to enhance scale, quality, diversity and sustainability in order to achieve inclusive financial services"*

This mission will be achieved through three objectives:

- ↳ Promote an enabling environment that benefits the work of all stakeholders
- ↳ Build the capacity of stakeholders, especially retail microfinance providers
- ↳ Improve transparency and accountability by promoting the publication and widespread use of performance measures and standards related to the work of retail microfinance providers

### The Pakistan Microfinance Review:

The vision to publish the Pakistan Microfinance Review - PMR (Formerly Performance Indicators Report - PIR) is "to serve as the information gateway to the microfinance industry in Pakistan".

Our mission is "to set the landscape of the microfinance sector in Pakistan through advocacy, networking and analysis of performance leading to greater transparency, competitiveness and stronger long term market positioning for Individual players".

The scope of this publication includes all type of retail MF providers

- ↳ To give an overview of the performance of the microfinance industry, this performance is benchmarked with global and regional peers
- ↳ To carry out Year-in-review of the trends in the microfinance industry
- ↳ To analyse the performance of individual MFP's

The outcome of this report will be evaluated against the following benchmarks:

- ↳ 'Policy makers' refer to performance data in the PIR for shaping policies for the sector
- ↳ Increased 'pool' of commercial funding in the microfinance sector
- ↳ Donors to provide increased funds based on performance of MFPs
- ↳ Influence on public, media, commercial lenders, etc
- ↳ Improved disclosures by microfinance providers
- ↳ Improved performance by playing a key role in building greater understanding and appreciation for comprehensive financial trend analysis and in building common reporting standards in Pakistan

# Adjustments of Financial Data

## Rationale

The adjustments to financial statements are made when doing benchmarking analysis. These adjustments are made for two purposes. The first, and most basic one, is to give an institution a more accurate picture of its financial position. These adjustments attempt to account for factors unique to MFIs, including the predominance of below-market-rate funding sources. Such factors can distort the picture of an institution's on-going performance. Benchmarking requires making adjustments for a second reason: making data from various MFIs comparable. The PMN makes these adjustments in order to bring institutions operating under varying conditions and with varying levels of subsidy onto a common ground to assess them side by side.

## Inflation Adjustment

PMN adjusts for the effect of inflation on an MFI's equity and its non monetary assets – essentially fixed assets – on its balance sheet. Inflation decreases the real value of the MFI's equity. Fixed assets are considered to track the increase in price levels, and their value is considered increased. The net loss (or gain) is considered a cost of funds, and decreases net operating income.

## Calculation

**Inflation Adjustment Revenue:** Multiply the prior year's Net Fixed Assets by the current year's average annual inflation rate (Average Core CPI for 2003-2004 as reported on the SBP website)

**Inflation Adjustment Expense:** Multiply the prior year's Equity by the current year's average annual inflation rate, (Average Core CPI for 2003-2004 as reported on the SBP website)

**Net Inflation Adjustment Expense:** Subtract the Inflation Adjustment Revenue from the Inflation Adjustment Expense

## Subsidies Adjustment

PMN adjusts for three types of subsidies. A cost-of-funds subsidy from loans at below-market rates, current year cash donations to fund portfolio and cover expenses, and in-kind subsidies, such as rent-free office space or the services of personnel who are not paid by the MFI and thus not reflected on its income statement. Additionally, for multipurpose institutions, we attempt to isolate the performance of the financial services programme, removing the effect of any cross subsidization. Cash donations flowing through the income statement are already accounted for by reclassifying them below net operating income on the income statement. They are not treated in this adjustment policy, but handled through a direct reclassification on the income statement. This year no institution has disclosed receipt of in-kind subsidy.

## In-kind Subsidies

Imputed cost (book value) of donated/loaned-out vehicles, machinery and buildings need to be included in the operating expenses. Expatriate staff salaries paid by donor or parent company, or other technical assistance, need to be accounted for. Here, the imputed salaries are used instead of salaries actually received by them. For imputation, use the salary range that a local hire would get for the same level of work-load/position. Similarly, the analyst must use judgment in deciding whether or not the in-kind donation represents a key input to the on-going operations of the MFI. An appropriate basis for valuation is important.

## Calculation

1/ Sum of in-kind subsidies by operating expense account, added to unadjusted numbers for each account

## Cost-of-Funds

The cost-of-funds adjustment reflects the impact of soft loans on the financial performance of the institution. The analyst calculates the difference between what the MFI actually paid in interest on its subsidized liabilities and a shadow market rate for each country. This difference represents the value of the subsidy, considered an additional financial expense. Here, only funds received as loans need to be adjusted. Client deposits are not adjusted. Only loans that have a finite (reasonable) term length are adjusted. Subordinated debt and other quasi-equity accounts are reclassified as other equity on the balance sheet.

The analyst must be careful in the choice of an appropriate shadow rate. The PMN has chosen an average lending rate on outstanding loans as reported by the State Bank of Pakistan on its website (6.43%).

## Calculation

1/ Calculate average balance for all borrowings. Borrowings do not include deposits or "other liabilities". If MFI has given an average balance, see if this is more appropriate to use; if not, calculate average from last year's ending balance.

2/ Multiply the average balance by the shadow market rate

3/ Compare with the amount actually paid in interest and fees. If less "market" rate, impute the difference (market price minus Financial Expense paid on Borrowings) to the Subsidized Cost of Funds Adjustment Expense

## Loan Loss Provisioning

The PMN standardises loan loss provisioning for MFIs to a minimum threshold or risk. MFIs vary tremendously in accounting for loan delinquency. Some count the entire loan balance as overdue the day a payment is missed. Others do not consider a loan delinquent until its full term has expired. Some MFIs write off bad debt within one year of the initial delinquency, while others never write off bad loans, thus carrying forward a default that they have little chance of ever recovering.

The analyst applies a standard loan loss provisioning to all MFIs, and adjusts, where necessary, to bring them to the minimum threshold. In some cases, these adjustments may not be precise. Portfolio ageing information may only be available on different ageing scales.

## Calculation

Loan loss provisioning

1/ Multiply the PAR age categories by the following reserve factors:

PAR up to 89 days no provisioning

PAR 91 – 180 x 0.50

PAR 181 – 360 x 1.00

Renegotiated loans x 0.50

2/ Sum above reserve calculations, and if sum is more than current reserves, make calculated reserve new Loan Loss Reserve. If not, keep current reserves.

3/ Add the Unadjusted Loan Loss Provision Expense to the difference between the Adjusted Net Loan Portfolio and the Unadjusted Net Loan Portfolio. This is the Adjusted Loan Loss Provision Expense.

# Definition of Terms and Indicators

## Institutional Characteristics

### A. Age:

Indicates Years of functioning as Microfinance Provider (MFP).

### B. Total Assets:

Total of all net asset accounts. This standard presents all asset accounts net of any allowance. The one exception to this is the separate disclosure of the Gross Loan Portfolio and its Loan Loss Reserve.

### C. Offices:

Number of offices, including head office. The number of staffed points of service and administrative sites used to deliver or support the delivery of financial services to microfinance clients.

### D. Personnel:

Total number of employees. The number of individuals who are actively employed by the MFP. This includes contract employees or advisors who dedicate the majority of their time to the MFI, even if they are not on the MFI's roster of employees. This number should be expressed as a full-time equivalent, such that an advisor who spends 2/3 of her time at the MFP would be counted 2/3 of a full-time employee.

## Financing Structure

### E. Total Assets:

See B for definition

### F. Total Equity:

Total of all equity accounts. Equity accounts are presented net of any distributions, such as dividends. Total Assets - Total Liabilities.

### G. Total Liabilities:

Total of all liability accounts. Includes both interest and non interest bearing liabilities of the organisation.

### H. Commercial Liabilities:

Principal balance of all borrowings, including overdraft accounts, for which the institution pays a nominal rate of interest that is greater than or equal to the local commercial interest rate.

### I. Deposits / Voluntary Savings:

Demand deposits from the general public and members that are not maintained as a condition for accessing a current or future loan and are held with the institution. Also includes Certificates of deposit or other fixed term deposits

### J. Gross Loan Portfolio:

All outstanding principal for all outstanding client loans, including current, delinquent and restructured loans, but not loans that have been written off. It does not include interest receivable. It does not include employee loans.

### 1. Equity-to-Asset Ratio:

Total Equity/Total Assets. This is a simple version of capital adequacy ratio as it does not take in to account risk weighted assets.

### 2. Commercial Liabilities-to-Gross Loan Portfolio Ratio:

All liabilities with "market" price/ Gross Loan Portfolio.

### 3. Liabilities-to-Equity Ratio:

Total Liabilities/ Total Equity. Also known as the debt-to-equity ratio.

### 4. Deposit-to-Gross Loan Portfolio Ratio:

Voluntary Savings/Gross Loan Portfolio. This is an inverse to the advance-to-deposit ratio.

### 5. Deposit-to-Total Asset Ratio

Voluntary Savings/Total Assets. Indicates the percentage of assets financed through deposits.

### 6. Gross Loan Portfolio-to-Total Asset Ratio

Gross Loan Portfolio/Total Assets. Indicates the efficiency of assets deployed in high yield instruments/core business of an MFP.

## Outreach Indicators

### K. Number of Active Borrowers:

Number of borrowers with loan amount outstanding

### L. Number of Active Women Borrowers:

Number of women borrowers with loan amount outstanding

### M. Gross Loan Portfolio:

See (J) for definition

### N. Per Capita Income:

Average income per household per person. This is reported by the GOP in its latest "Survey of Pakistan report for FY 2007-2008" published in May 2008.

### O. Number of Loans Outstanding:

Indicates the number of loans that are outstanding at the end of the reporting period. One borrower can have two loans depending upon the policy of the MFP and hence number of loans could be more than number of borrowers.

### p. Number of Savers:

Number of savers with voluntary demand deposit and time deposit accounts.

### Q. Number of Saving Accounts:

One depositor can have more than 2 deposit accounts. Hence number of deposit accounts could be more than number of depositors.

### 7. Number of Active Women Borrowers to total Active Borrowers:

Indicates percentage of women borrower to total active borrowers

### 8. Average Loan Balance per Active Borrower:

Indicates average loan balance outstanding

### 9. Average Loan Balance per Active Borrower to Per Capita Income:

Tool to measure depth of out reach. The lower the ratio the more poverty focused the MFI.

### 10. Average Outstanding Balance:

Adjusted Gross Loan Portfolio/Adjusted number of loan outstanding. Indicates the average balance of loans outstanding.

### 11. Average Outstanding Balance to per Capita Income:

Average outstanding balance/per capita income. Tool to measure depth of out reach. The lower the ratio the more poverty focused the MFI.

**R. Number of Women Savers:**

Number of women savers with voluntary demand deposit and time deposit accounts.

**S. Saving Outstanding:**

Total value of voluntary demand deposit and time deposit accounts.

**12. Percentage of Women Savers to total Savers:**

Indicates the percentage of women in the total saving portfolio.

**13. Average Saving Balance per Saver:**

Indicates average amount of saving balance per saver.

**14. Active saving account balance:**

Indicates the average balance of saving per account (not per depositor).

**Overall Financial Performance****T1. Financial Revenue from Loan Portfolio:**

Total interest, fees and commission on loan portfolio

**T2. Financial Revenue from Other Financial Assets:**

Net gains on other financial assets.

**T3. Other Revenue Related to Financial Services:**

Other revenue from provision of financial services, including revenue from insurance or transfer services or non-financial revenue from the provision of financial services, such as the sale of passbooks or SmartCards. This account includes net exchange gains.

**U. Financial Revenue:**

Total of revenue from loan portfolio and other financial assets, as well as other financial revenue from financial services (That is T1+T2+T3).

**V. Financial Expense:**

Total of financial expense on liabilities and deposits.

**W. Loan Loss Provision Expense:**

Sum of loan loss provision expense and recovery on loan loss provision.

**X. Operating Expense**

Total of Personnel Expense and Administrative Expense.

**Y. Adjusted Financial Expense on Borrowing:**

The cost-of-funds adjustment reflects the impact of soft loans on the financial performance of the institution. The analyst calculates the difference between what the MFI actually paid in interest on its subsidized liabilities and what it would have paid at a shadow market rate for each country. This difference represents the value of the subsidy, considered an additional financial expense.

**Z. Inflation Adjustment Expense:**

PMN adjusts for the effect of inflation on an MFI's equity and its non monetary assets - essentially fixed assets - on its balance sheet. Inflation decreases the real value of the MFI's equity. Fixed assets are considered to track the increase in price levels, and their value is considered increased. The net loss (or gain) is treated as a cost of funds, is disclosed on the income statement, and decreases net operating income.

**AA1. Net Adjusted Loan Loss Provision Expense:**

Sum of loan loss provision expense and recovery on loan loss provision. MFIs vary tremendously in accounting for loan delinquency. Some count the entire loan balance as overdue the day a payment is missed. Others do not consider a loan delinquent until its full term has expired. Some MFIs write off bad debt within one year of the initial delinquency, while others never write off bad loans, thus carrying forward a defaulting loan that they

**15. Adjusted Return on Assets:**

Adjusted Net Operating Income, net of taxes/ Average Total Assets

**16. Adjusted Return on Equity:**

Adjusted Net Operating Income, net of taxes/ Average Total Equity

**17. Operational Self-Sufficiency:**

Financial Revenue/ (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)

**18. Financial Self-Sufficiency:**

Financial Revenue/ Adjusted (Financial Expense + Net Loan Loss Provision Expense + Operating Expense + Inflation Adjustment)

have little chance of ever recovering. The PMN applies a standard write-off and loan loss provisioning to all MFIs, and adjusts, where necessary, to bring them to the minimum threshold

#### AA2. Adjusted Operating Expense:

Total of Personnel Expense and Administrative Expense. Also includes, Imputed cost (book value) of donated/loaned vehicles, machinery and buildings need to be included in the operating expenses. Expatriate staff salaries paid by donor or parent company, or other technical assistance, need to be accounted for. The imputed salaries are used instead of salaries actually received by such persons. For imputation, the salary range that a local hire would get for the same level of work-load/position should be used. Similarly, the analyst must use judgment in deciding whether or not the in-kind donation represents a key input to the on-going operations of the MFI.

#### AA3. Net Income/ (Loss) After Adjustment or Adjusted Income/ (Loss):

Indicates net profit/ (loss) to the MFI after adjusting for the above four subsidies.

#### AB. Average Total Assets:

Average of opening and closing balance of total assets.

#### AC. Average Total Equity:

Average of opening and closing balance of total equity.

### Operating Income

#### AD. Financial Revenue from Loan Portfolio:

See (T1) for definition

#### AE. Financial Revenue:

See (U) for definition

#### AF. Adjusted Net Operating Income/ (loss):

See (AA3) for definition

#### AG. Average Total Assets:

See (AB) for definition

#### AH and AI. Gross Loan Portfolio:

See (J) for definition.

#### AI. Average Gross Loan Portfolio:

Average of opening and closing balance of Gross Loan Portfolio

#### AJ. Inflation Rate:

Latest annualized CPI as reported by the State Bank of Pakistan

#### 19. Financial Revenue Ratio:

Financial Revenue/ Average Total Assets. Indicates the efficiency with which an MFP is utilising its assets to earn income from them.

#### 20. Adjusted Profit Margin:

Adjusted Net Operating Income/ Adjusted Financial Revenue

#### 21. Yield on Gross Portfolio (Nominal):

Financial Revenue from Loan Portfolio/ Average Gross Loan Portfolio. Indicates the yield on MFPs loan portfolio and is usually used as a proxy to look at MFPs (realized) effective interest rate.

#### 22. Yield on Gross Portfolio (Real):

(Yield on Gross Portfolio (nominal) - Inflation Rate)/ (1 + Inflation Rate)

### Operating Expense

#### AK. Adjusted Total Expense:

Includes all types of actual and adjusted expenses related to operations, cost of borrowings, loan losses and inflation adjustment.

#### AL. Adjusted Financial Expense:

Includes actual cost of borrowing and shadow cost of subsidized funding.

#### AM. Adjusted Loan Loss Provision Expense:

Loan loss provision expense calculated by PMN. Done through standardized adjustment tool using ageing of portfolio technique. It is however ensured that if the actual loan loss provision expense is higher than the adjusted then we follow the conservatism principle.

#### 23. Adjusted Total Expense Ratio:

Adjusted (Financial Expense + Net Loan Loss Provision Expense + Operating Expense)/ Average Total Assets

#### 24. Adjusted Financial Expense Ratio:

Adjusted Financial Expense/ Adjusted Average Total Assets

#### 25. Adjusted Loan Loss Provision Expense Ratio:

Adjusted Net Loan Loss Provision Expense/ Adjusted Average Total Assets

<p><b>AN. Adjusted Operating Expense:</b> Includes actual operational expenses and in-kind subsidy adjustments.</p> <p><b>AO. Adjustment Expense:</b> Refers to the total adjustment cost related to inflation, subsidized Cost of Borrowing, loan loss provisioning and in kind subsidies.</p> <p><b>AP. Average Total Assets:</b> See (AB) for definition.</p>	<p><b>26. Adjusted Operating Expense Ratio</b> Adjusted Operating Expense/ Adjusted Average Total Assets</p> <p><b>27. Adjustment Expense Ratio:</b> Net inflation, in-kind, loan loss provision and subsidized cost-of-funds adjustment expense/ Adjusted Average Total Assets</p>
<p><b>Efficiency Indicators</b></p> <p><b>AQ. Adjusted Operating Expense:</b> See (AN) for definition.</p> <p><b>AR. Adjusted Personnel Expense:</b> Includes actual personnel expenses (Salaries and benefits) and in-kind subsidy adjustments.</p> <p><b>AS. Average Gross Loan Portfolio:</b> See (AI) for definition.</p> <p><b>AT. Average Number of Active Borrowers:</b> Average of opening and closing balance of active borrowers</p> <p><b>AU. Average Number of Active Loans:</b> Average of opening and closing balance of active loans</p>	<p><b>28. Adjusted Operating Expense Ratio:</b> Adjusted Operating Expense/ Average Gross Loan Portfolio. Indicates the efficiency of the loan portfolio.</p> <p><b>29. Adjusted Personnel Expense ratio:</b> Adjusted Personnel Expense/ Average Gross Loan Portfolio</p> <p><b>30. Adjusted Cost per Borrower:</b> Adjusted Operating Expense/ Average Number of Active Borrowers. In case of loan size differentials generally operating expense ratio is lower (more efficient) for institutions with high loan size, Cetris paribus. This indicator discounts the affect of loan size on efficient management of loan portfolio,</p> <p><b>31. Adjusted Cost per Loan:</b> Adjusted Operating Expense/ Average Number of Active Loans</p>
<p><b>Productivity Indicators</b></p> <p><b>AV. Number of Active Borrowers:</b> See (K) for definition</p> <p><b>AW. Number of Active Loans:</b> The number of loans that have been neither fully repaid nor written off, and thus that are part of the MFI's gross loan portfolio.</p> <p><b>AX. Number of Active Savers:</b> See (P) for definition</p> <p><b>AY: Total Number of Staff/Personnel:</b> See (D) for definition</p> <p><b>AZ: Total Number of Loan Officers:</b> The number of staff members who dedicate the majority of their time to direct client contact. Front office staff include more than those typically qualified as credit or loan officers. They may also include tellers, personnel who open and maintain accounts – such as savings accounts – for clients, delinquent loan recovery officers and others whose primary responsibilities bring them in direct contact with microfinance clients</p>	<p><b>32. Borrowers per Staff:</b> Number of Active Borrowers/ Number of personnel. Is a measure of staff productivity and indicates the number of borrowers managed by the staff on average.</p> <p><b>33. Borrowers per Loan Officers:</b> Number of Active Borrowers/ Number of Loan Officers. A measure of loan officer productivity and indicates the number of borrowers managed by a loan officer.</p> <p><b>34. Loan per Staff:</b> Number of Active Loans/ Number of Personnel</p> <p><b>35. Loans per Loan Officers:</b> Number of Active Loans/ Number of Loan Officers</p> <p><b>36. Savers per Staff:</b> Number of Savers/ Number of Personnel</p> <p><b>37. Personnel Allocation Ratio</b> Loan Officers / Total Staff. The higher the indicator the more lean the head office structure of the organisation.</p>

## Risk and Liquidity Indicators

### BA. Portfolio at Risk > 30 days:

Outstanding balance, loans overdue > 30 Days

### BB. Portfolio at Risk > 90 days:

Outstanding balance, loans overdue > 90 Days

### BC. Adjusted Loan Loss Reserve:

Loan loss reserve calculated by PMN. Done through standardized adjustment tool using ageing of portfolio technique. Again in case loan loss provision shown in the audited accounts is more than the one computed by the PMN, the analyst follows the principle of conservatism.

### BD. Loan Written-off During the Year:

Value of loans written-off during the year

### BE. Gross Loan Portfolio:

See (J) for definition

### BF: Average Gross Loan Portfolio:

See (AI) for definition.

### 38. Adjusted Portfolio at Risk > 30 Days

Outstanding balance, loans overdue > 30 Days/ Adjusted Gross Loan Portfolio.

Indicates the credit risk of a borrower above 30 days past his/her due date for installment payment.

### 39. Adjusted Portfolio at Risk > 90 Days

Outstanding balance, loans overdue > 90 Days/ Adjusted Gross Loan Portfolio

### 40. Risk Coverage Ratio:

Adjusted Loan Loss Reserve/ PAR > 30 Days. Indicates the provision created by an MFP against its credit risk.

### 41. Write-Off Rate:

Loans written off during the year / Average Gross Loan Portfolio



## INDICATORS

### Infrastructure

Figures in (PKR 000)

Infrastructure	MFBs							SUB
	KB	TMFBL	POMFBL	FMFBL	RMFB	NMFB		
Age	7	2	2	6	3	3		
Total Assets	6,703,280	1,255,222	495,587	2,807,162	107,492	202,335	11,571,078	
Offices	120	41	16	92	21	5	295	
Personnel	1,865	658	201	1,045	76	54	3,899	

Infrastructure	NGO MFIs							SUB
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	
Age	11	13	11	7	6	20	5	
Total Assets	4,064,008	138,822	349,993	242,598	63,831	182,523	323,417	5,365,192
Offices	159	14	25	11	15	2	33	259
Personnel	1,567	115	198	101	70	43	280	2,374

Infrastructure	RSPs					OTHERS			TOTAL
	NRSP	PRSP	SRSP	TRDP	SUB	SUNGI	ORIX	SUB	
Age	14	9	16	10		13	15		
Total Assets	3,673,667	1,720,541	67,946	309,482	5,771,637	27,374	126,785	154,158	22,862,066
Offices	499	27	14	60	600	2	9	11	1,165
Personnel	2,469	551	63	131	3,214	5	37	42	9,529

# Financing Structure

Figures in (PKR 000)

Financing Structure	MFBs							SUB
	KB	TMFBL	POMFBL	FMFBL	RMFB	NMFB		
Total Assets	6,703,280	1,255,222	495,587	2,807,162	107,492	202,335	11,571,078	
Total Equity	1,812,443	301,510	455,008	670,881	70,364	104,284	3,414,490	
Total Debt	4,890,837	953,712	40,579	2,136,281	37,128	98,050	8,156,588	
Commercial Liabilities	354,173	227,142	-	-	-	-	581,315	
Deposits/Voluntary Savings	-	648,373	23,189	2,035,584	32,360	83,338	2,822,845	
Gross Loan Portfolio	2,652,916	408,807	93,493	1,221,559	33,630	45,854	4,456,259	
							<b>Weighted Avg.</b>	
Equity-to-Asset ratio	27.0%	24.0%	91.8%	23.9%	65.5%	51.5%	29.5%	
Commercial Liabilities-to-GLP	13.4%	55.6%	0.0%	0.0%	0.0%	0.0%	13.0%	
Debt-to-Equity ratio	2.7	3.1	0.1	3.2	0.5	0.9	2.4	
Deposits-to-GLP	0.0%	158.6%	24.8%	166.6%	96.2%	181.7%	63.3%	
Deposits-to-T.Assets	0.0%	51.7%	4.7%	72.5%	30.1%	41.2%	24.4%	
GLP-to-T.Assets	39.6%	32.6%	18.9%	43.5%	31.3%	22.7%	38.5%	

Financing Structure	NGO MFIs							SUB
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	
Total Assets	4,064,008	138,822	349,993	242,598	63,831	182,523	323,417	5,365,192
Total Equity	1,426,500	33,128	40,036	25,769	62,872	120,711	(13,325)	1,695,691
Total Debt	2,637,508	105,694	309,957	216,829	959	61,813	336,742	3,669,501
Commercial Liabilities	1,101,106	-	-	-	-	12,307	44,297	1,157,709
Deposits/Voluntary Savings	12,699	-	-	4,660	-	-	4,810	22,169
Gross Loan Portfolio	3,178,784	112,250	250,428	145,322	50,953	143,821	222,451	4,104,009
								<b>Weighted Avg.</b>
Equity-to-Asset ratio	35.1%	23.9%	11.4%	10.6%	98.5%	66.1%	-4.1%	31.6%
Commercial Liabilities-to-GLP	34.6%	0.0%	0.0%	0.0%	0.0%	8.6%	19.9%	28.2%
Debt-to-Equity ratio	1.85	3.2	7.7	8.4	0.02	0.5	-25.3	2.16
Deposits-to-GLP	0.4%	0.0%	0.0%	3.2%	0.0%	0.0%	2.2%	0.5%
Deposits-to-T.Assets	0.3%	0.0%	0.0%	1.9%	0.0%	0.0%	1.5%	0.4%
GLP-to-T.Assets	78.2%	80.9%	71.6%	59.9%	79.8%	78.8%	68.8%	76.5%

Financing Structure	RSPs					OTHERS			TOTAL
	NRSP	PRSP	SRSP	TRDP	SUB	SUNGI	ORIX	SUB	
Total Assets	3,673,667	1,720,541	67,946	309,482	5,771,637	27,374	126,785	154,158	22,862,066
Total Equity	434,403	908,182	13,613	(101,668)	1,254,529	26,866	27,018	53,885	6,418,594
Total Debt	3,239,264	812,359	54,333	411,151	4,517,108	508	99,766	100,274	16,443,471
Commercial Liabilities	817,106	143,773	-	-	960,879	-	23,580	23,580	2,723,484
Deposits/Voluntary Savings	-	-	-	-	-	-	0	0	2,845,014
Gross Loan Portfolio	3,244,991	427,608	42,920	341,924	4,057,443	5,160	127,112	132,272	12,749,983
					<b>Weighted Avg.</b>		<b>Weighted Avg.</b>	<b>Weighted Avg.</b>	<b>Weighted Avg.</b>
Equity-to-Asset ratio	11.8%	52.8%	20.0%	-32.9%	21.7%	98.1%	21.3%	35.0%	28.1%
Commercial Liabilities-to-GLP	25.2%	33.6%	0.0%	0.0%	23.7%	0.0%	18.6%	17.8%	21.4%
Debt-to-Equity ratio	7.5	0.9	4.0	-4.0	3.60	0.0	3.7	1.86	2.6
Deposits-to-GLP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	22.3%
Deposits-to-T.Assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.4%
GLP-to-T.Assets	88.3%	24.9%	63.2%	110.5%	70.3%	18.8%	100.3%	85.8%	55.8%

Figures in (PKR 000)

Outreach	MFBs						
	KB	TMFBL	POMFBL	FMFBL	RMFB	NMFB	SUB
Number of Active Borrowers	283,965	31,011	14,397	101,394	2,337	2,303	435,407
Number of Active Women Borrowers	43,817	978	1,181	42,819	356	395	89,546
Gross Loan Portfolio	2,652,916	408,807	93,493	1,221,559	33,630	45,854	4,456,259
Per Capita Income	57	57	57	57	57	57	57
Number of Loans Outstanding	283,965	31,011	14,397	101,394	2,337	2,303	435,407
Number of Savers	-	44,507	12,249	79,827	4,224	5,451	146,258
Number of Saving Accounts	-	44,525	12,249	79,827	4,224	5,451	146,276
Number of Women Savers	-	100	1,195	17,392	502	601	19,790
Saving Outstanding	-	648,373	23,189	2,035,584	32,360	83,338	2,822,845
							Weighted Avg.
Number of Active Women Borrowers/T. Active Borrowers	15.4%	3.2%	8.2%	42.2%	15.2%	17.2%	20.6%
Average Loan Balance per Active Borrower (Rs. In 000)	9.3	13.2	6.5	12.0	14.4	19.9	10.2
Avg. Loan Bal. per Active Borrower/per Capita Income	16.4%	23.1%	11.4%	21.1%	25.2%	34.9%	18.0%
Avg. Outstanding Balance (Rs. in 000)	9.3	13.2	6.5	12.0	14.4	19.9	10.2
Avg. Outstanding Balance/per capita income	16.4%	23.1%	11.4%	21.1%	25.2%	34.9%	18.0%
Percentage of Women Savers-to-Total Active Savers	0.0%	0.22%	9.76%	21.79%	11.88%	11.03%	13.53%
Average Saving Balance per Active Saver (Rs. In 000)	0.0	14.6	1.9	25.5	7.7	15.3	19.3
Active Savings Account Balance (Rs. In 000)	-	14.6	1.9	25.5	7.7	15.3	19.3

Outreach	NGO MFIs							
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	SUB
Number of Active Borrowers	295,396	17,529	32,623	15,254	8,734	20,987	27,711	418,234
Number of Active Women Borrowers	283,288	3,841	32,623	15,254	6,565	734	27,711	370,016
Gross Loan Portfolio	3,178,784	112,250	250,428	145,322	50,953	143,821	222,451	4,104,009
Per Capita Income	57	57	57	57	57	57	57	57
Number of Loans Outstanding	379,649	17,529	32,623	15,254	8,734	20,987	27,711	502,487
Number of Savers	266,366	-	-	-	-	-	26,609	292,975
Number of Saving Accounts	266,366	-	-	-	-	-	26,609	292,975
Number of Women Savers	266,366	-	-	-	-	-	26,609	292,975
Saving Outstanding	12,699	-	-	4,660	-	-	4,810	22,169
								Weighted Avg.
Number of Active Women Borrowers/T. Active Borrowers	95.9%	21.9%	100.0%	100.0%	75.2%	3.5%	100.0%	88.5%
Average Loan Balance per Active Borrower (Rs. In 000)	10.8	6.4	7.7	9.5	5.8	6.9	8.0	9.8
Avg. Loan Bal. per Active Borrower/per Capita Income	18.9%	11.2%	13.5%	16.7%	10.2%	12.0%	14.1%	17.2%
Avg. Outstanding Balance (Rs. in 000)	8.4	6.4	7.7	9.5	5.8	6.9	8.0	8.2
Avg. Outstanding Balance/per capita income	14.7%	11.2%	13.5%	16.7%	10.2%	12.0%	14.1%	14.3%
Percentage of Women Savers-to-Total Active Savers	100.0%	-	-	-	-	-	100.0%	100.00%
Average Saving Balance per Active Saver (Rs. In 000)	-	-	-	-	-	-	0.2	75.7
Active Savings Account Balance (Rs. In 000)	-	-	-	-	-	-	0.2	0.1

Figures in (PKR 000)

Outreach	RSPs					OTHERS			TOTAL
	NRSP	PRSP	SRSP	TRDP	SUB	SUNGI	ORIX	SUB	
Number of Active Borrowers	292,456	67,285	7,174	37,264	404,179	462	8,900	9,362	1,267,182
Number of Active Women Borrowers	124,996	35,186	4,382	10,396	174,960	63	6,283	6,346	640,868
Gross Loan Portfolio	3,244,991	427,608	42,920	341,924	4,057,443	5,160	127,112	132,272	12,749,983
Per Capita Income	57	57	57	57	57	57	57	57	57
Number of Loans Outstanding	292,456	67,285	7,174	37,264	404,179	489	8,900	9,389	1,351,462
Number of Savers	704,318	-	-	-	704,318	-	0	0	1,143,551
Number of Saving Accounts	55,458	-	-	-	55,458	-	0	0	494,709
Number of Women Savers	195,235	-	-	-	195,235	-	0	0	508,000
Saving outstanding	772,318	-	-	-	772,318	-	0	0	3,617,332
	Weighted Avg.					Weighted Avg.			Weighted Avg.
Number of Active Women Borrowers/ T.Active Borrowers	42.7%	52.3%	61.1%	27.9%	43.3%	13.6%	70.6%	67.8%	50.6%
Average Loan Balance per Active Borrower (Rs. In 000)	11.1	6.4	6.0	9.2	10.0	11.2	14.3	14.1	10.1
Avg. Loan Bal. per Active Borrower/per Capita Income	19.5%	11.1%	10.5%	16.1%	17.6%	19.6%	25.1%	24.8%	17.7%
Avg. Outstanding Balance (Rs. in 000)	11.1	6.4	6.0	9.2	10.0	10.6	14.3	14.1	9.4
Avg. Outstanding Balance/per capita income	19.5%	11.1%	10%	16.1%	17.6%	18.5%	25.1%	24.7%	16.6%
Percentage of Women Savers-to-Total Active Savers	27.7%	-	-	-	27.72%	0.0%	0.0%	0.0%	44.42%
Average Saving Balance per Active Saver (Rs. In 000)	1.1	-	-	-	1.1	0.0	0.0	0.0	3.2
Active Savings Account Balance (Rs. In 000)	13.9	-	-	-	13.9	0.0	0.0	-	7.3

Figures in (PKR 000)

Financial Performance	MFBs							SUB
	KB	TMFBL	POMFBL	FMFBL	RMFB	NMFB		
Financial Revenue from Loan Portfolio	519,710	134,566	21,677	261,340	10,014	13,802	961,109	
Financial Revenue from Other Financial Assets	249,075	63,355	33,434	88,520	5,915	3,236	443,536	
Other Revenue from Financial Services	3,192	10,535	54	1,495	434	191	15,901	
Financial Revenue	771,978	208,456	55,165	351,355	16,364	17,229	1,420,546	
Less : Financial Expense	181,033	86,580	332	99,878	1,067	1,320	370,210	
Gross Financial Margin	590,945	121,876	54,833	251,477	15,296	15,909	1,050,336	
Less: Loan Loss Provision Expense	61,038	88,789	7,506	20,423	7,667	1,018	186,440	
Net Financial Margin	529,907	33,087	47,327	231,054	7,630	14,890	863,896	
Personnel Expense	402,349	165,760	49,894	130,292	11,057	18,254	777,606	
Admin Expense	365,982	108,981	33,536	137,942	13,600	16,828	676,870	
Less: Operating Expense	768,332	274,741	83,431	268,234	24,657	35,081	1,454,476	
Net Income before taxation	(238,424)	(241,654)	(36,103)	(37,181)	(17,027)	(20,191)	(590,580)	
Provision for Taxation	66,662	1,113	2,243	5,001	76	84	75,179	
Net Income/(Loss) Before Adjustments	(305,086)	(242,767)	(38,346)	(42,181)	(17,103)	(20,275)	(665,758)	
Adjusted Financial Expense on Borrowings	246,420	-	-	-	-	614	247,034	
Inflation Adjustment Expense	122,597	35,693	36,638	49,890	6,132	4,741	255,692	
Adjusted Loan Loss Provision Expense	-	-	-	-	-	1,888	1,888	
Adjusted Operating Expense	-	-	-	-	-	-	-	
Total Adjustment Expense	369,017	35,693	36,638	49,890	6,132	7,243	504,613	
Net Income/(Loss) After Adjustments	(674,103)	(278,460)	(74,984)	(92,071)	(23,235)	(27,518)	(1,170,371)	
Average Total Assets	6,775,377	1,261,914	494,388	2,243,675	108,736	158,314	11,042,404	
Average Total Equity	1,781,989	415,927	471,887	685,613	79,176	89,422	3,524,014 weighted avg.	
Adjusted Return-on-Assets	-9.9%	-22.1%	-15.2%	-4.1%	-21.4%	-17.4%	-10.6%	
Adjusted Return-on-Equity	-37.8%	-66.9%	-15.9%	-13.4%	-29.3%	-30.8%	-33.2%	
Operational Self-Sufficiency	76.4%	46.3%	60.4%	90.4%	49.0%	46.0%	70.6%	
Financial Self-Sufficiency	56.0%	42.9%	43.1%	80.1%	41.4%	38.6%	56.5%	

Financial Performance	NGO MFIs							SUB
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	
Financial Revenue from Loan Portfolio	851,874	30,448	73,019	37,194	4,942	23,401	61,553	1,082,432
Financial Revenue from Other Financial Assets	45,089	45	5,365	811	421	12,295	2,629	66,654
Other Revenue from Financial Services	4,246	617	-	1,328	-	113	11	6,315
Financial Revenue	901,210	31,110	78,384	39,332	5,363	35,808	64,193	1,155,400
Less : Financial Expense	170,399	4,559	18,634	8,601	-	3,037	27,355	232,585
Gross Financial Margin	730,810	26,551	59,750	30,731	5,363	32,771	36,838	922,815
Less: Loan Loss Provision Expense	70,071	1,167	5,024	2,843	506	542	2,241	82,394
Net Financial Margin	660,739	25,384	54,726	27,888	4,856	32,229	34,598	840,421
Personnel Expense	207,224	18,604	32,093	21,782	4,906	4,367	37,703	326,680
Admin Expense	103,333	14,129	16,363	11,803	2,861	7,995	29,740	186,223
Less: Operating Expense	310,557	32,733	48,456	33,585	7,767	12,362	67,444	512,904
Net Income before taxation	350,182	(7,349)	6,270	(5,697)	(2,911)	19,875	(32,846)	327,517
Provision for Taxation	-	-	-	-	-	-	-	-
Net Income/(Loss) Before Adjustments	350,182	(7,349)	6,270	(5,697)	(2,911)	19,867	(32,846)	327,517
Adjusted Financial Expense on Borrowings	-	3,304	3,744	3,374	-	-	-	10,421
Inflation Adjustment Expense	68,688	803	893	765	3,785	7,592	-	82,526
Adjusted Loan Loss Provision Expense	-	3,449	-	-	-	-	-	3,449
Adjusted Operating Expense	-	-	-	-	-	-	-	-
Total Adjustment Expense	68,688	7,555	4,637	4,139	3,785	7,592	-	96,395
Net Income/(Loss) After Adjustments	281,294	(14,905)	1,633	(9,836)	(6,695)	12,276	(32,846)	231,122
Average Total Assets	3,034,009	101,025	295,743	160,376	56,388	157,280	273,885	4,078,706
Average Total Equity	1,179,816	24,448	31,945	20,238	55,467	109,703	(14,304)	1,407,312 weighted avg.
Adjusted Return-on-Assets	9.3%	-14.8%	0.6%	-6.1%	-11.9%	7.8%	-12.0%	5.7%
Adjusted Return-on-Equity	23.9%	-61.0%	5.1%	-48.6%	-12.1%	11.2%	-229.6%	16.4%
Operational Self-Sufficiency	163.6%	80.9%	108.7%	87.3%	64.8%	224.7%	66.2%	139.5%
Financial Self-Sufficiency	145.4%	67.6%	102.1%	80.0%	44.5%	152.2%	66.2%	125.0%

Figures in (PKR 000)

Financial Performance	RSPs					OTHERS			
	NRSP	PRSP	SRSP	TRDP	SUB	SUNGI	ORIX	SUB	TOTAL
Financial Revenue from Loan Portfolio	568,023	46,945	8,402	58,856	682,226	755	20,462	21,217	2,746,985
Financial Revenue from Other Financial Assets	43,971	75,316	-	8,217	127,504	1,214	0	1,214	638,909
Other Revenue from Financial Services	6,393	-	3,501	-	9,894	238	0	238	32,347
Financial Revenue	618,388	122,262	11,903	67,073	819,625	2,207	20,462	22,669	3,418,241
Less : Financial Expense	189,909	39,823	2,961	33,334	266,027	0	8,049	8,049	876,871
Gross Financial Margin	428,478	82,439	8,942	33,738	553,598	2,207	12,413	14,621	2,541,370
Less: Loan Loss Provision Expense	12,467	25,828	457	54,929	93,681	651	186	838	363,353
Net Financial Margin	416,011	56,611	8,486	(21,191)	459,918	1,556	12,227	13,783	2,178,018
Personnel Expense	249,999	70,351	9,865	35,665	365,881	382	5,941	6,323	1,476,490
Admin Expense	158,788	49,941	4,068	43,767	256,565	650	2,670	3,320	1,122,978
Less: Operating Expense	408,787	120,291	13,934	79,433	622,445	1,032	8,611	9,643	2,599,468
Net Income before taxation	7,224	(63,680)	(5,448)	(100,624)	(162,528)	525	3,616	4,140	(421,450)
Provision for Taxation	-	-	-	-	-	0	0	0	75,179
Net Income/(Loss) Before Adjustments	7,224	(63,680)	(5,448)	(100,624)	(162,528)	525	3,616	4,140	(666,488)
Adjusted Financial Expense on Borrowings	30,317	8,960	-	2,487	41,764	0	0	0	299,219
Inflation Adjustment Expense	30,496	48,318	-	-	78,814	0	246	246	417,278
Adjusted Loan Loss Provision Expense	-	53,265	-	1,925	55,189	2,014	2,051	4,065	64,590
Adjusted Operating Expense	-	-	-	-	-	0	0	0	-
Total Adjustment Expense	60,814	110,543	-	4,412	175,768	2,014	2,297	4,311	781,087
Net Income/(Loss) After Adjustments	(53,590)	(174,223)	(5,448)	(105,035)	(338,296)	(1,489)	1,319	(170)	(1,277,716)
Average Total Assets	2,960,712	1,456,773	60,758	330,382	4,808,625	26,643	99,272	125,915	20,055,650
Average Total Equity	433,555	786,924	3,683	(81,151)	1,143,011	26,177	15,067	41,244	6,115,580
					weighted avg.			weighted avg.	weighted avg.
Adjusted Return-on-Assets	-1.8%	-12.0%	-9.0%	-31.8%	-7.0%	-5.6%	1.3%	-0.1%	-6.4%
Adjusted Return-on-Equity	-12.4%	-22.1%	-147.9%	-129.4%	-29.6%	-5.7%	8.8%	-0.4%	-20.9%
Operational Self-Sufficiency	101.2%	65.8%	68.6%	40.0%	83.5%	131.2%	121.5%	122.3%	89%
Financial Self-Sufficiency	92.0%	41.2%	68.6%	39.0%	70.8%	59.7%	106.9%	99.3%	74%

# Operating Income

40

Figures in (PKR 000)

Operating Income	MFBS							SUB
	KB	TMFBL	POMFBL	FMFBL	RMFB	NMFB		
Financial Revenue from Loan Portfolio	519,710	134,566	21,677	261,340	10,014	13,802	961,109	
Financial Revenue	771,978	208,456	55,165	351,355	16,364	17,229	1,420,546	
Adjusted Net Operating Income / (Loss)	(607,441)	(277,347)	(72,741)	(87,070)	(23,160)	(27,434)	(1,095,193)	
Average Total Assets	6,775,377	1,261,914	494,388	2,243,675	108,736	158,314	11,042,404	
Gross Loan Portfolio, Opening Balance	2,147,612	526,097	85,292	686,909	40,490	51,433	3,537,832	
Gross Loan Portfolio, Closing Balance	2,652,916	408,807	93,493	1,221,559	33,630	45,854	4,456,259	
Average Gross Loan Portfolio	2,400,264	467,452	89,393	954,234	37,060	48,643	3,997,046	
Inflation Rate	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.90%	
							weighted avg.	
Financial Revenue Ratio (Financial Revenue-to-Average Total Assets)	11.4%	16.5%	11.2%	15.7%	15.0%	10.9%	12.9%	
Adjusted Profit Margin (Adjusted Profit/(loss)-to-Financial Revenue)	-78.7%	-133.0%	-131.9%	-24.8%	-141.5%	-159.2%	-77.1%	
Yield on Gross Portfolio (nominal)	21.7%	28.8%	24.2%	27.4%	27%	28.4%	-24.0%	
Yield on Gross Portfolio (real)	12.7%	19.4%	15.2%	18.17%	17.7%	19.0%	15.0%	

Operating Income	NGO MFIs							SUB
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	
Financial Revenue from Loan Portfolio	851,874	30,448	73,019	37,194	4,942	23,401	61,553	1,082,432
Financial Revenue	901,210	31,110	78,384	39,332	5,363	35,808	64,193	1,155,400
Adjusted Net Operating Income / (Loss)	281,495	(14,905)	1,633	(9,836)	(6,695)	12,276	(32,846)	231,122
Average Total Assets	3,034,009	101,025	295,743	160,376	56,388	157,280	273,885	4,078,706
Gross Loan Portfolio, Opening Balance	1,530,321	43,191	169,332	62,346	38,295	93,319	110,419	2,047,223
Gross Loan Portfolio, Closing Balance	3,178,784	112,250	250,428	145,322	50,953	143,821	222,451	4,104,009
Average Gross Loan Portfolio	2,354,552	77,720	209,880	103,834	44,624	118,570	166,435	3,075,616
Inflation Rate	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.90%
								weighted avg.
Financial Revenue Ratio (Financial Revenue-to-Average Total Assets)	29.7%	30.8%	26.5%	24.5%	9.5%	22.8%	23.4%	28.3%
Adjusted Profit Margin (Adjusted Profit/(loss)-to-Financial Revenue)	31.2%	-47.9%	2.1%	-25.0%	-124.8%	34.3%	-51.2%	20.0%
Yield on Gross Portfolio (nominal)	36.2%	39.2%	34.8%	35.8%	11.1%	19.7%	37.0%	35.2%
Yield on Gross Portfolio (real)	26.2%	29.0%	24.9%	25.9%	2.9%	11.0%	27.0%	25.3%

Figures in (PKR 000)

Operating Income	RSPs					OTHERS			TOTAL
	NRSP	PRSP	SRSP	TRDP	SUB	SUNGI	ORIX	SUB	
Financial Revenue from Loan Portfolio	568,023	46,945	8,402	58,856	682,226	755	20,462	21,217	2,746,985
Financial Revenue	618,388	122,262	11,903	67,073	819,625	2,207	20,462	22,669	3,418,241
Adjusted Net Operating Income/(Loss)	(53,590)	(174,223)	(5,448)	(105,035)	(338,296)	(1,489)	1,319	-170	(1,202,537)
Average Total Assets	2,960,712	1,456,773	60,758	330,382	4,808,625	26,643	99,272	125,915	20,055,650
Gross Loan Portfolio, Opening Balance	1,993,573	260,389	28,424	339,502	2,621,888	3,220	73,778	76,998	8,283,941
Gross Loan Portfolio, Closing Balance	3,244,991	427,608	42,920	341,924	4,057,443	5,160	127,112	132,272	12,749,983
Average Gross Loan Portfolio	2,619,282	343,999	35,672	340,713	3,339,666	4,190	100,445	104,635	10,516,962
Inflation Rate	7.9%	7.9%	7.9%	7.9%	7.90%	7.9%	7.9%	7.9%	7.90%
					weighted avg.			weighted avg.	weighted avg.
Financial Revenue Ratio (Financial Revenue-to-Average Total Assets)	20.9%	8.4%	19.6%	20.3%	17.0%	8.3%	20.6%	18.0%	17.0%
Adjusted Profit Margin (Adjusted Profit/(loss)-to-Financial Revenue)	-8.7%	-142.5%	-45.8%	-156.6%	-41.3%	-67.5%	6.4%	-0.8%	-35.2%
Yield on Gross Portfolio (nominal)	21.7%	13.6%	23.6%	17.3%	20.4%	18.0%	20.4%	20.3%	26.1%
Yield on Gross Portfolio (real)	12.8%	5.3%	14.5%	8.7%	11.6%	9.4%	11.6%	11.5%	16.9%

# Operating Expense

Figures in (PKR 000)

Operating Expense	MFBs							SUB
	KB	TMFBL	POMFBL	FMFBL	RMFB	NMFB		
Adjusted Total Expense	1,379,419	485,803	127,906	438,425	39,523	44,662	2,515,739	
Adjusted Financial Expense	550,050	122,273	36,970	149,768	7,199	6,675	872,935	
Adjusted Loan Loss Provision Expense	61,038	88,789	7,506	20,423	7,667	2,906	188,328	
Adjusted Operating Expense	768,332	274,741	83,431	268,234	24,657	35,081	1,454,476	
Adjustment Expense	369,017	35,693	36,638	49,890	6,132	7,243	504,613	
Average Total Assets	6,775,377	1,261,914	494,388	2,243,675	108,736	158,314	11,042,404	
							Weighted avg.	
Adjusted Total Expense-to-Average Total Assets	20.4%	38.5%	25.9%	19.5%	36.3%	28.2%	22.8%	
Adjusted Financial Expense-to-Average Total Assets	8.1%	9.7%	7.5%	6.7%	6.6%	4.2%	7.9%	
Adjusted Loan Loss Provision Expense-to-Avg Total Assets	0.9%	7.0%	1.5%	0.9%	7.1%	1.8%	1.7%	
Adjusted Operating Expense-to-Average Total Assets	11.3%	21.0%	16.9%	12.0%	22.7%	22.2%	13.2%	
Adjusted Personnel Expense	5.9%	13.1%	10.1%	5.8%	10.2%	11.5%	7.0%	
Adjusted Admin Expense	5.4%	8.6%	6.8%	6.1%	12.5%	10.6%	6.1%	
Adjustment Expense-to-Average Total Assets	5.4%	2.8%	7.4%	2.2%	5.6%	4.6%	4.6%	

Operating Expense	NGO MFIs							SUB
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	
Adjusted Total Expense	619,715	46,015	76,751	49,168	12,058	23,533	97,039	924,279
Adjusted Financial Expense	239,087	8,666	23,271	12,740	3,785	10,629	27,355	325,532
Adjusted Loan Loss Provision Expense	70,071	4,615	5,024	2,843	506	542	2,241	85,843
Adjusted Operating Expense	310,557	32,733	48,456	33,585	7,767	12,362	67,444	512,904
Adjustment Expense	68,688	7,555	4,637	4,139	3,785	7,592	-	96,395
Average Total Assets	3,034,009	101,025	295,743	160,376	56,388	157,280	273,885	4,078,706
								Weighted avg.
Adjusted Total Expense-to-Average Total Assets	20.4%	45.5%	26.0%	30.7%	21.4%	15.0%	35.4%	22.7%
Adjusted Financial Expense-to-Average Total Assets	7.9%	8.6%	7.9%	7.9%	6.7%	6.8%	10.0%	8.0%
Adjusted Loan Loss Provision Expense-to-Avg Total Assets	2.3%	4.6%	1.7%	1.8%	0.9%	0.3%	0.8%	2.1%
Adjusted Operating Expense-to-Average Total Assets	10.2%	32.4%	16.4%	20.9%	13.8%	7.9%	24.6%	12.6%
Adjusted Personnel Expense	6.8%	18.4%	10.9%	13.6%	8.7%	2.8%	13.8%	8.0%
Adjusted Admin Expense	3.4%	14.0%	5.5%	7.4%	5.1%	5.1%	10.9%	4.6%
Adjustment Expense-to-Average Total Assets	2.3%	7.5%	1.6%	2.6%	6.7%	4.8%	0.0%	2.4%

Figures in (PKR 000)

Operating Expense	RSPs					OTHERS			
	NRSP	PRSP	SRSP	TRDP	SUB	SUNGI	ORIX	SUB	TOTAL
Adjusted Total Expense	671,977	296,484	17,351	172,108	1,157,921	3,696	19,143	22,840	4,620,778
Adjusted Financial Expense	250,723	97,101	2,961	35,821	386,606	-	8,295	8,295	1,593,368
Adjusted Loan Loss Provision Expense	12,467	79,092	457	56,854	148,870	2,665	2,237	4,902	427,943
Adjusted Operating Expense	408,787	120,291	13,934	79,433	622,445	1,032	8,611	9,643	2,599,468
Adjustment Expense	60,814	110,543	-	4,412	175,768	2,014	2,297	4,311	781,087
Average Total Assets	2,960,712	1,456,773	60,758	330,382	4,808,625	26,643	99,272	125,915	20,055,650
	Weighted avg.					Weighted avg.			Weighted avg.
Adjusted Total Expense-to-Average Total Assets	22.7%	20.4%	28.6%	52.1%	24.1%	13.9%	19.3%	18.1%	23.0%
Adjusted Financial Expense-to-Average Total Assets	8.5%	6.7%	4.9%	10.8%	8.0%	0.0%	8.4%	6.6%	7.9%
Adjusted Loan Loss Provision Expense-to-Avg Total Assets	0.4%	5.4%	0.8%	17.2%	3.1%	10.0%	2.3%	3.9%	2.1%
Adjusted Operating Expense-to-Average Total Assets	13.8%	8.3%	22.9%	24.0%	12.9%	3.9%	8.7%	7.7%	13%
Adjusted Personnel Expense	8.4%	4.8%	16.2%	10.8%	7.6%	1.4%	6.0%	5.0%	7.4%
Adjusted Admin Expense	5.4%	3.4%	6.7%	13.2%	5.3%	2.4%	2.7%	2.6%	5.6%
Adjustment Expense-to-Average Total Assets	2.1%	7.6%	0.0%	1.3%	3.7%	7.6%	2.3%	3.4%	3.9%

# Operating Efficiency

Figures in (PKR 000)

Operating Efficiency	MFBs							SUB
	KB	TMFBL	POMFBL	FMFBL	RMFB	NMFB		
Adjusted Operating Expense	768,332	274,741	83,431	268,234	24,657	35,081	1,454,476	
Adjusted Personnel Expense	402,349	165,760	49,894	130,292	11,057	18,254	777,606	
Average Gross Loan Portfolio	2,400,264	467,452	89,393	954,234	37,060	48,643	3,997,046	
Average Number of Active Borrowers/Clients	260,441	47,778	18,532	136,191	6,851	7,348	477,140	
Average Number of Active Loans/(Deposits)	260,441	47,787	18,532	136,191	6,851	7,348	477,149	
							weighted avg.	
Adjusted Operating Expense-to-Average Gross Loan Portfolio	32.01%	58.8%	93.3%	28.1%	66.5%	72.1%	36.4%	
Adjusted Personnel Expense-to-Average Gross Loan Portfolio	16.76%	35.5%	55.8%	13.7%	29.8%	37.5%	19.5%	
Average Salary/Per capita	3.8	4.4	4.4	2.2	2.6	5.9	3.5	
Adjusted Cost per Borrower (Rs. In 000)	3.0	5.8	4.5	2.0	3.6	4.8	3.0	
Adjusted Cost per Loan (Rs.in 000)	3.0	5.7	4.5	2.0	3.6	4.8	3.0	

Operating Efficiency	NGO MFIs							SUB
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	
Adjusted Operating Expense	310,557	32,733	48,456	33,585	7,767	12,362	67,444	512,904
Adjusted Personnel Expense	207,224	18,604	32,093	21,782	4,906	4,367	37,703	326,680
Average Gross Loan Portfolio	2,354,552	77,720	209,880	103,834	44,624	118,570	166,435	3,075,616
Average Number of Active Borrowers/Clients	214,543	15,774	29,051	14,488	7,402	16,495	20,112	317,863
Average Number of Active Loans/(Deposits)	280,437	15,774	29,051	14,488	7,402	16,495	20,112	383,757
								weighted avg.
Adjusted Operating Expense-to-Average Gross Loan Portfolio	13.2%	42.1%	23.1%	32.3%	17.4%	10.4%	40.5%	16.7%
Adjusted Personnel Expense-to-Average Gross Loan Portfolio	8.8%	23.9%	15.3%	21.0%	11.0%	3.7%	22.7%	10.6%
Average Salary/Per capita	2.3	2.8	2.8	3.8	1.2	1.8	2.4	2.4
Adjusted Cost per Borrower (Rs. In 000)	1.4	2.1	1.7	2.3	1.0	0.7	3.4	1.6
Adjusted Cost per Loan (Rs.in 000)	1.1	2.1	1.7	2.3	1.0	0.7	3.4	1.3

Operating Efficiency	RSPs					OTHERS			
	NRSP	PRSP	SRSP	TRDP	SUB	SUNGI	ORIX	SUB	TOTAL
Adjusted Operating Expense	408,787	120,291	13,934	79,433	622,445	1,032	8,611	9,643	2,599,468
Adjusted Personnel Expense	249,999	70,351	9,865	35,665	365,881	382	5,941	6,323	1,476,490
Average Gross Loan Portfolio	2,619,282	343,999	35,672	340,713	3,339,666	4,190	100,445	104,635	10,516,962
Average Number of Active Borrowers/Clients	241,651	54,573	5,500	40,098	341,822	231	6,265	6,496	1,143,320
Average Number of Active Loans/(Deposits)	241,651	54,573	5,500	40,098	341,822	245	6,265	6,510	1,209,237
					weighted avg.			weighted avg.	weighted avg.
Adjusted Operating Expense-to-Average Gross Loan Portfolio	15.6%	35.0%	39.1%	23.3%	18.6%	24.6%	8.6%	9.2%	24.7%
Adjusted Personnel Expense-to-Average Gross Loan Portfolio	9.5%	20.5%	27.7%	10.5%	11.0%	9.1%	5.9%	6.0%	14.0%
Average Salary/Per capita	1.8	2.2	2.7	4.8	2.0	1.3	2.8	2.6	2.7
Adjusted Cost per Borrower (Rs. In 000)	1.7	2.2	2.5	2.0	1.8	4.5	1.4	1.5	2.3
Adjusted Cost per Loan (Rs.in 000)	1.7	2.2	2.5	2.0	1.8	4.2	1.4	1.5	2.1

# Productivity

Figures in (PKR 000)

Productivity	MFBS							SUB
	KB	TMFBL	POMFBL	FMFBL	RMFB	NMFB		
Number of Active Borrowers	283,965	31,011	14,397	101,394	2,337	2,303	435,407	
Number of Active Loans	283,965	31,011	14,397	101,394	2,337	2,303	435,407	
Number of Active Savers	-	44,507	12,249	79,827	4,224	5,451	146,258	
Number of Saving Accounts	-	44,525	12,249	79,827	4,224	5,451	146,276	
Total Number of Staff	1,865	658	201	1,045	76	54	3,899	
Total Number of Loan Officers	616	461	70	651	42	26	1,866	
							weighted avg.	
Borrowers per staff	152	47	72	97	31	43	112	
Loans per staff	152	47	72	97	31	43	112	
Borrowers per loan officer	461	67	206	156	56	89	233	
Loans per Loan Officer	461	67	206	156	56	89	233	
Savers Per staff	0	68	61	76	56	101	38	
Saving accounts per staff	0	68	61	76	56	101	38	
Personnel Allocation Ratio	33.0%	70.1%	34.8%	62.3%	55.3%	48.1%	47.9%	

Productivity	NGO MFIs							SUB
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	
Number of Active Borrowers	295,396	17,529	32,623	15,254	8,734	20,987	27,711	418,234
Number of Active Loans	379,649	17,529	32,623	15,254	8,734	20,987	27,711	502,487
Number of Active Savers	266,366	-	-	-	-	-	26,909	293,275
Number of Saving Accounts	266,366	-	-	-	-	-	26,909	293,275
Total Number of Staff	1,567	115	198	101	70	43	280	2,374
Total Number of Loan Officers	913	47	99	49	61	15	177	1,361
								weighted avg.
Borrowers per staff	189	152	165	151	125	488	99	176
Loans per staff	242	152	165	151	125	488	99	212
Borrowers per loan officer	324	373	330	311	143	1,399	157	307
Loans per Loan Officer	416	373	330	311	143	1,399	157	369
Savers Per staff	170	0	0	0	0	0	96	124
Saving accounts per staff	170	0	0	0	0	0	96	124
Personnel Allocation Ratio	58.3%	40.9%	50.0%	48.5%	87.1%	34.9%	63.2%	57.3%

Figures in (PKR 000)

Productivity	RSPs					OTHERS			
	NRSP	PRSP	SRSP	TRDP	SUB	SUNGI	ORIX	SUB	TOTAL
Number of Active Borrowers	292,456	67,285	7,174	37,264	404,179	462	8,900	9,362	1,267,182
Number of Active Loans	292,456	67,285	7,174	37,264	404,179	489	8,900	9,389	1,351,462
Number of Active Savers	704,318	0	-	0	704,318	-	0	0	1,143,551
Number of Saving Accounts	55,458	0	-	0	55,458	-	0	0	494,709
Total Number of Staff	2,469	551	63	131	3,214	5	37	42	9,529
Total Number of Loan Officers	1,968	397	20	94	2,479	3	25	28	5,734
					weighted avg.			weighted avg.	weighted avg.
Borrowers per staff	118	122	114	284	126	92	241	223	133
Loans per staff	118	122	114	284	126	98	241	224	142
Borrowers per loan officer	149	169	359	396	163	154	356	334	221
Loans per Loan Officer	149	169	359	396	163	163	356	335	236
Savers Per staff	285	0	0	0	219	0	0	0	120
Saving accounts per staff	22	0	0	0	17	0	0	0	52
Personnel Allocation Ratio	79.7%	72.1%	31.7%	71.8%	77.1%	60.0%	67.6%	66.7%	60.2%

# Risk

Figures in (PKR 000)

Risk	MFBs							SUB
	KB	TMFBL	POMFBL	FMFBL	RMFB	NMFB		
Portfolio at Risk > 30 days	40,043	75,803	8,834	25,102	7,544	4,763	162,088	
Portfolio at Risk > 90 days	17,862	61,773	5,493	9,816	4,658	3,758	103,360	
Adjusted Loan Loss Reserve	56,394	48,779	5,629	27,950	4,033	3,891	146,676	
Loan written off during the year	69,771	47,905	3,156	5,167	7,180	551	133,730	
Gross Loan Portfolio	2,652,916	408,807	93,493	1,221,559	33,630	45,854	4,456,259	
Average Gross Loan Portfolio	2,400,264	467,452	89,393	954,234	37,060	48,643	3,997,046	
							weighted avg.	
Portfolio at Risk(>30)-to-Gross Loan Portfolio	1.5%	18.5%	9.4%	2.1%	22.4%	10.4%	3.6%	
Portfolio at Risk(>90)-to-Gross Loan Portfolio	0.7%	15.1%	5.9%	0.8%	13.9%	8.2%	2.3%	
Write off-to-Average Gross Loan Portfolio	2.9%	10.2%	3.5%	0.5%	19.4%	1.1%	3.3%	
Risk Coverage Ratio ( Adjusted Loan Loss Reserve-to-Portfolio at Risk>30days)	140.8%	64.3%	63.7%	111.3%	53.5%	81.7%	90.5%	

Risk	NGO MFIs							SUB
	Kashf	SAFWCO	DAMEN	CSC	Akhuwat	OPP	Asasah	
Portfolio at Risk > 30 days	23,051	5,516	5,187	3,086	3,922	1,393	-	42,157
Portfolio at Risk > 90 days	3,834	4,074	4,376	1,491	507	418	-	14,700
Adjusted Loan Loss Reserve	97,843	1,626	7,786	3,815	506	-	4,449	116,024
Loan written off during the year	3,132	-	4,128	-	291	542	-	8,093
Gross Loan Portfolio	3,178,784	112,250	250,428	145,322	50,953	143,821	222,451	4,104,009
Average Gross Loan Portfolio	2,354,552	77,720	209,880	103,834	44,624	118,570	166,435	3,075,616
								weighted avg.
Portfolio at Risk(>30)-to-Gross Loan Portfolio	0.7%	4.9%	2.1%	2.1%	7.7%	1.0%	0.0%	1.0%
Portfolio at Risk(>90)-to-Gross Loan Portfolio	0.1%	3.6%	1.7%	1.0%	1.0%	0.3%	0.0%	0.4%
Write off-to-Average Gross Loan Portfolio	0.1%	0.0%	2.0%	0.0%	0.7%	0.5%	0.0%	0.3%
Risk Coverage Ratio ( Adjusted Loan Loss Reserve-to-Portfolio at Risk>30days)	424.5%	29.5%	150.1%	123.6%	12.9%	0.0%	0.0%	275.2%

Risk	RSPs					OTHERS			
	NRSP	PRSP	SRSP	TRDP	SUB	SUNGI	ORIX	SUB	TOTAL
Portfolio at Risk > 30 days	25,372	82,645	436	78,260	186,713	1,560	3,640	5,200	396,158
Portfolio at Risk > 90 days	15,063	81,861	-	63,774	160,698	1,277	3,640	4,917	283,676
Adjusted Loan Loss Reserve	83,196	45,776	859	89,357	219,188	317	2,205	2,521	484,409
Loan written off during the year	7,290	56,376	3,054	0	66,721	693	0	693	209,238
Gross Loan Portfolio	3,244,991	427,608	42,920	341,924	4,057,443	5,160	127,112	132,272	12,749,983
Average Gross Loan Portfolio	2,619,282	343,999	35,672	340,713	3,339,666	4,190	100,445	104,635	10,516,962
					weighted avg.			weighted avg.	weighted avg.
Portfolio at Risk(>30)-to-Gross Loan Portfolio	0.8%	19.3%	1.0%	22.9%	4.6%	30.2%	2.9%	3.9%	3.1%
Portfolio at Risk(>90)-to-Gross Loan Portfolio	0.5%	19.1%	0.0%	18.7%	4.0%	24.8%	2.9%	3.7%	2.2%
Write off-to-Average Gross Loan Portfolio	0.3%	16.4%	8.6%	0.0%	2.0%	16.6%	0.0%	0.7%	2.0%
Risk Coverage Ratio (Adjusted Loan Loss Reserve-to-Portfolio at Risk>30days)	327.9%	55.4%	197.0%	114.2%	117.4%	20.3%	60.6%	48.5%	122.3%

# Reporting Organisations

Category	MFP	Reporting Period			
		2007	2006	2005	2004
<b>MFB</b>					
Microfinance Bank licensed and prudentially regulated by the State Bank of Pakistan to exclusively service microfinance market	Khushhali Bank (KB)	✓	✓	✓	✓
	Network MicroFinance Bank Ltd. (NMFB)	✓	✓	✓	✗
	Pak-Oman Microfinance Bank Ltd. (POMFB)	✓	✓	✗	✗
	Rozgar Microfinance Bank Ltd. (RMFB)	✓	✓	✓	✗
	Tameer Microfinance Bank Ltd. (TMFB)	✓	✓	✗	✗
	The First MicroFinanceBank Ltd. (FMFBL)	✓	✓	✓	✓
<b>MFI</b>					
Microfinance institution providing specialized microfinance services	Akhuwat	✓	✓	✓	✗
	Asasah	✓	✓	✓	✓
	Community Support Concern (CSC)	✓	✓	✗	✗
	Development Action for Mobilization and Emancipation (DAMEN)	✓	✓	✓	✓
	Kashf Foundation	✓	✓	✓	✓
	Orangi Pilot Project (OPP)	✓	✓	✓	✓
	Sindh Agricultural and Forestry Workers Cooperative Organization (SAFWCO)	✓	✓	✓	✓
<b>RSP</b>					
Rural support programme running microfinance operation as part of multi-dimensional rural development programme	National Rural Support Programme (NRSP)	✓	✓	✓	✓
	Punjab Rural Support Programme (PRSP)	✓	✓	✓	✓
	Sarhad Rural Support Programme (SRSP)	✗	✗	✓	✓
	Thardeep Rural Development Programme (TRDP)	✓	✓	✓	✓
<b>Others</b>					
All institutions that do not fall with in the above three categories	Sungi Development Foundation (SDF)	✗	✗	✓	✓
	Taraqee Foundation (TF)	✓	✓	✓	✓
	Bank of Khyber (BOK)	✗	✗	✓	✓
	ORIX Leasing Pakistan (OLP)	✓	✓	✓	✓



## Department for International Development - DFID

The Department for International Development (DFID) is a part of the UK Government that manages Britain's aid to poor countries and works to get rid of extreme poverty. DFID, the Department for International Development, is leading the British government's fight against world poverty. DFID supports long-term programmes to help tackle the underlying causes of poverty. DFID works in partnership with governments, civil society, the private sector and others. It also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission. DFID has active presence in over 150 countries worldwide, with a budget of nearly £4 billion in 2004. Its headquarters are in London and East Kilbride, near Glasgow. Additional information at [www.dfid.gov.uk](http://www.dfid.gov.uk)

## Citi

Citi, the leading global financial services company, has some 200 million customer accounts and does business in more than 100 countries, providing consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, and wealth management. Citi's major brand names include Citibank, CitiFinancial, Primerica, Smith Barney, Banamex, and Nikko. Additional information may be found at [www.citigroup.com](http://www.citigroup.com) or [www.citi.com](http://www.citi.com).

## Citi Foundation

The Citi Foundation is committed to enhancing economic opportunities for underserved individuals and families in the communities where we work throughout the world. Globally, the Citi Foundation is focusing its giving on Microfinance and Micro-entrepreneurship, which helps individuals become economically self-sufficient; Small and Growing Businesses, leading to economic expansion and job creation; Education, which prepares young people for personal and professional success; Financial Education, which helps individuals make informed financial decisions; and the Environment with a focus on sustainable enterprises that generate jobs and stimulate economic growth while preserving the environment. In the U.S. and Canada, the Citi Foundation supports Community Development programs that help build and revitalize neighborhoods and Education programs that prepare students for college and careers. Additional information can be found at <http://www.citigroupfoundation.org/>.

## SEEP Network

Since its inception in 1985, the SEEP Network has been a leader in the development of the international microfinance and enterprise development fields. SEEP's 74 institutional members are committed to reducing poverty, working in over 140 countries and reaching more than 25 million micro-entrepreneurs (70% of whom are women). SEEP convenes key stakeholders to generate, document and share best practices through inclusive and productive dialogue among practitioners. SEEP is committed to connecting micro-enterprise practitioners in a global learning community. For more information, please visit [www.seepnetwork.org](http://www.seepnetwork.org).

## Pakistan Microfinance Network

The Pakistan Microfinance Network is a member-driven organisation working to support and bring together the microfinance providers (MFPs) market. Our aim is to enable the outreach of the sector to extend to wider horizons of the financially under-served and un-banked communities.

The PMN is well positioned with 95% of the total microfinance coverage and 20 leading MFI/MFBs as its members. The PMN has simultaneously received prestigious rankings internationally with networks such as CGAP and SEEP Network. We climbed the ladder to SEEP's mature network category in 2007 in recognition of commendable performance and consistency shown by the organisation.

Under the SEEP-Citi Foundation International Microfinance Programme, the PMN has recently signed a relationship with the Citi Foundation and is a player of their globally launched Network Strengthening Programme. We are also in negotiations with the Omidyar Network for alternative sources of funding. These are just to mention a few of a host of other relationships and memberships that the PMN has developed in its search to add value to the local sector, and remain strategically networked at the international level. Our effort is to encourage innovation in all quarters, and mobilise players from within the financial borders and beyond, to raise the platform of microfinance providers and help build a healthy and effective sector. For more information visit [www.pmn.org.pk](http://www.pmn.org.pk)



## CONTACT INFORMATION

PAKISTAN MICROFINANCE NETWORK  
House 38, Street 33, F 8/1  
ISLAMABAD, PAKISTAN

Tel: +92 (51) 2816139-41

Fax: +92 (51) 2854702

Email: [info@pmn.org.pk](mailto:info@pmn.org.pk)

[www.pmn.org.pk](http://www.pmn.org.pk)